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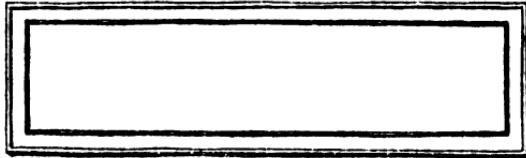
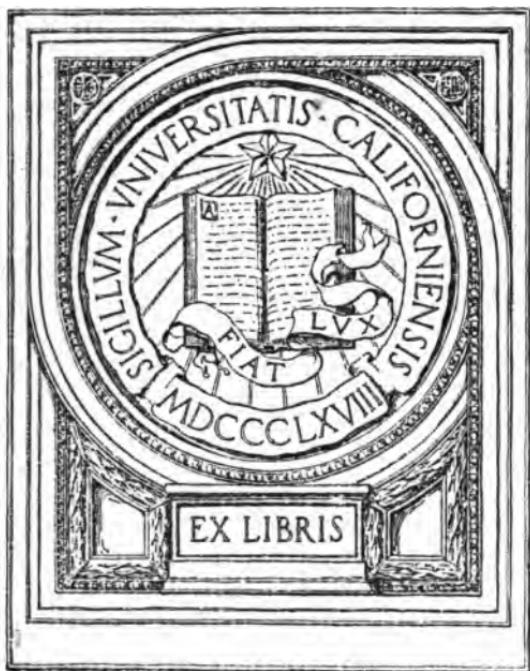
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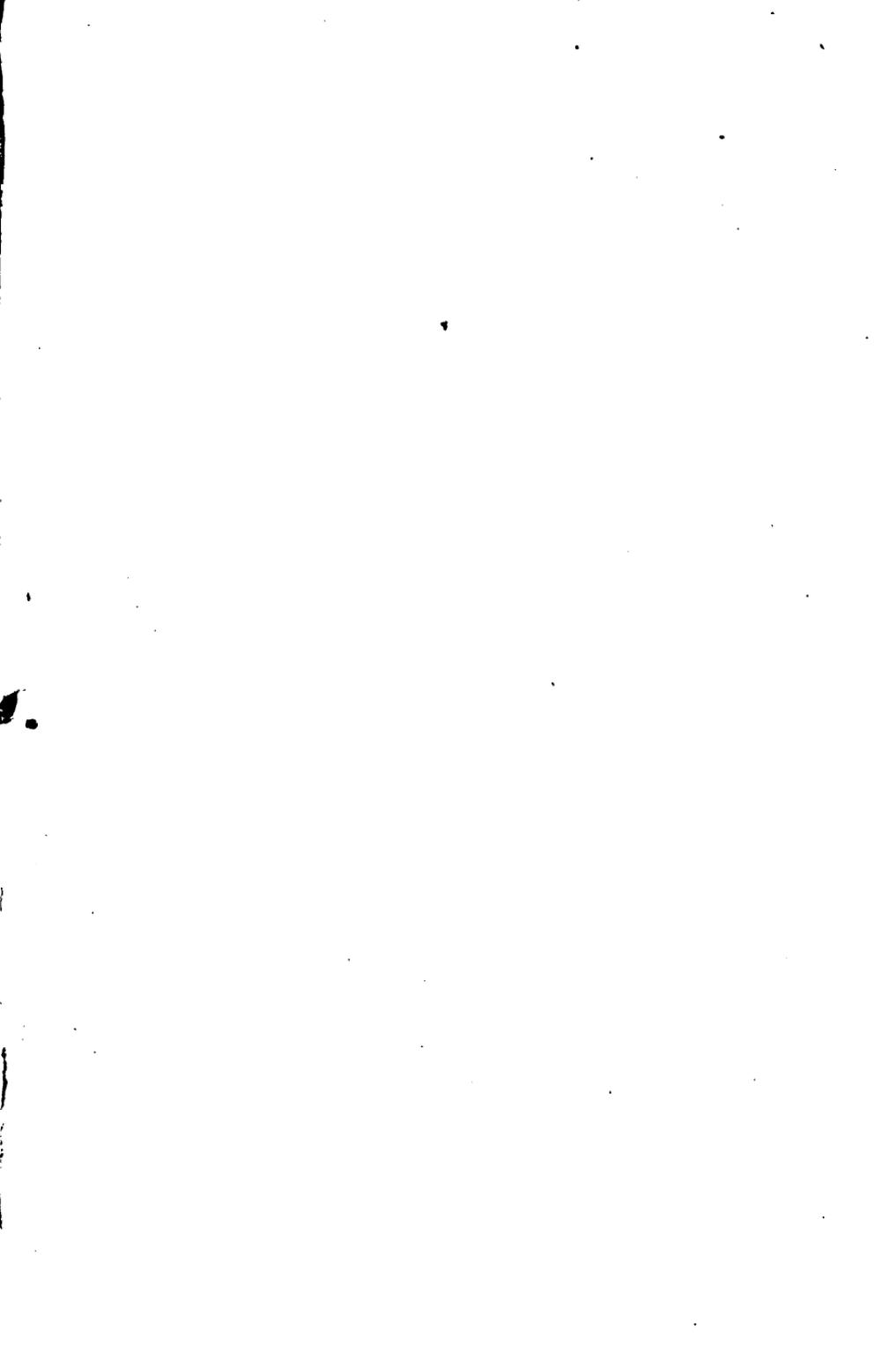
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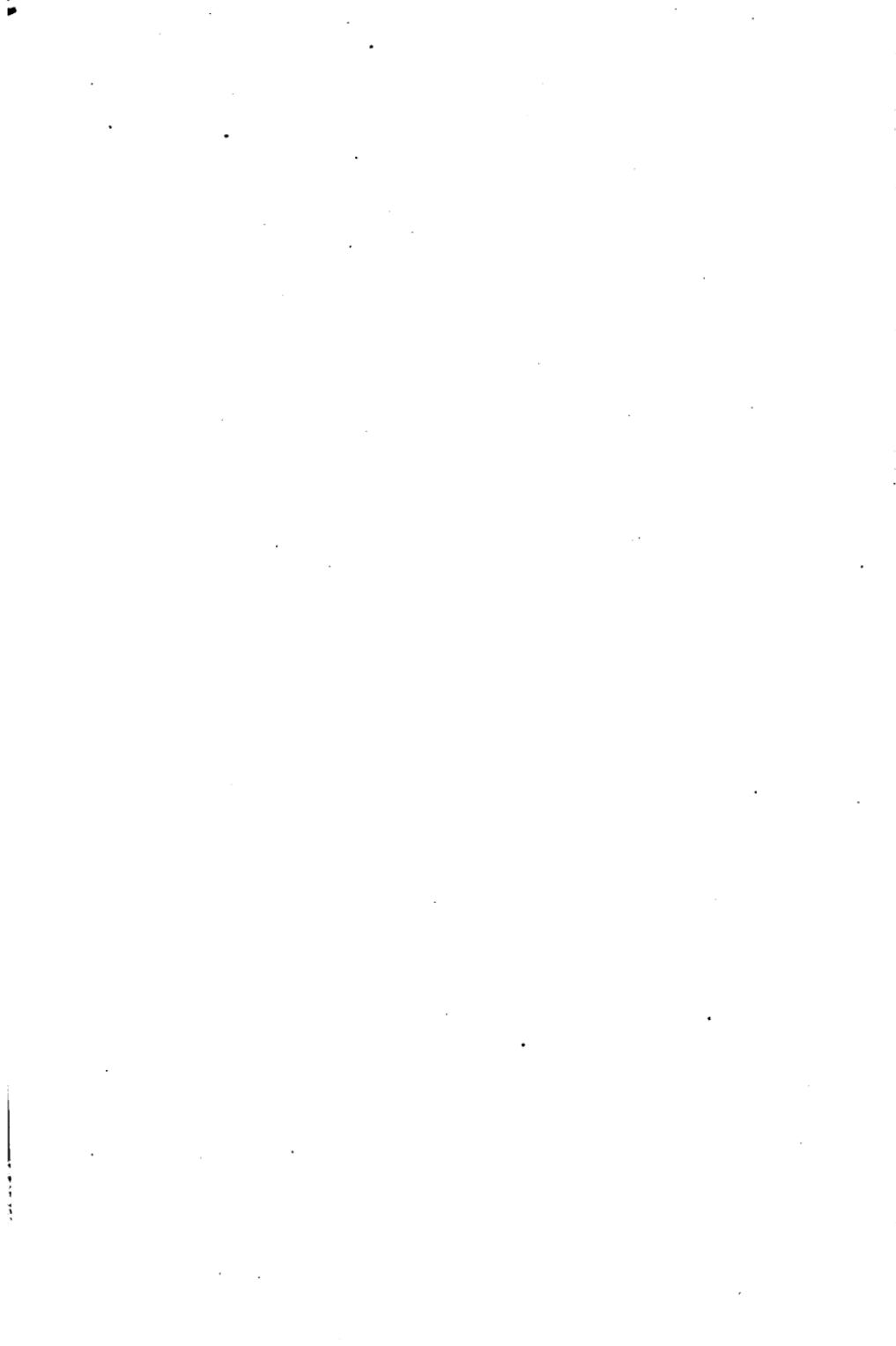
History and Operation
of
Fraternal Insurance

Walter Basye

The Fraternal Monitor







UNIV. OF
CALIFORNIA



JOHN JORDON UPCHURCH
Founder of the Ancient Order of United Workmen

HISTORY AND OPERATION OF FRATERNAL INSURANCE

BY
WALTER BASYE
Editor "The Fraternal Monitor"

UNIV. OF
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PREFACE

This volume has been written for the purpose of giving the fraternal insurance world a convenient statement of its principles and plan of operation. On several occasions the author has been asked if there was such a work in existence. It was needed in explaining the system to those who should have a better understanding of fraternal accomplishments and aims. Field men of the various societies often feel the need of greater information regarding the institution which enlists their support. Legislators who consider bills regulating fraternal benefit societies sometimes ask for a work presenting the essential features of operation. Judges of our courts of law who must render decisions in cases which involve fraternal insurance, although quite fully informed by opposing counsel of the immediate issues in such litigation, occasionally search the libraries for a volume that will explain the underlying features of the business. And the fraternalists who comprise the great army working for the system, gaining support from it, using it to protect their dependents, enjoying the opportunities it gives for fellowship and social life and who believe in its works, are patrons of literature on the subject. This work has been written to meet the requirements of all of these.

More pretentious books have been written on the technical phases of fraternal operation, and there have been published histories in more detail of portions of the system's period of accomplishment, but so far as the author knows there has been no volume published which con-

templates and treats the subject from both the historical and technical standpoints. This work views the several phases. It attempts to give a straightforward account of the founding, development, readjustment and present status of the fraternal system. It presents a simple explanation of the various phases of operation. As a history, it deals with causes and effects; as a treatise, with sound principles. Considerable attention is given to statutory legislation because the evolution of fraternal protection was coincident with the adoption of laws which fraternalists drafted and supported.

The fraternal system has been led by splendid men and women, some brilliant, some forceful, some picturesque and some far-sighted. The fact that they were engaged in a noble cause probably has influenced their lives for higher ideals. They have been militantly good. But while the fraternal system has been rich in strong personalities, the biographical data is scarce. This is due to the fact that many have been content to let their works speak to future generations. If the departed leaders had written memoirs the system would be richer today. Let us hope that the leaders of today will devote themselves to autobiographies and reminiscences of their times. Let us hope that some writer of the future will give a description of personalities. For these reasons and because the work herewith is intended only as an exposition of the working plans of the movement the seeker for biography will be disappointed. Proper credit has been given, however, to those leaders who were instrumental in achieving great results.

In preparing this volume the author was assisted by having ready access to the writings of experts and leaders, as well as the bound volumes of *The Fraternal Mon-*

itor. My debt to Abb Landis in this respect is a big one. Mr. Landis became identified with the fraternal system as an actuary at the beginning of the great movement to attain enduring plans of operation. His espousal of correct principles was marked by intense sincerity, and the soundness of his ideas has been proven by the passing of time. The exigencies of the moment sometimes caused him to make compromises, but I believe that at no time did he ever deflect from the highway of progress which led to the ultimate goal of sound protection. Other writers have set down facts and opinions which were of value in producing this work, and my gratitude to them is hereby expressed. A bibliography is given on another page.

It is also a pleasure to make public acknowledgment of the suggestions so kindly made and changes recommended by Arthur S. Hamilton, the author's partner in guiding the destines of *The Fraternal Monitor*. Mr. Hamilton is indeed a generous associate and loyal friend.

The above remarks explain some of the causes that led to the attempt to write this volume and they acknowledge my debt to others. Its chief purpose is to aid the fraternal system. May it be of value in the years to come. Its merit must be judged by the readers, and with the hope that they will consider it worth while I place it in their hands.

THE AUTHOR.

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HISTORY AND OPERATION OF FRATERNAL INSURANCE

CHAPTER I THE FRATERNAL SYSTEM

Social forces sometimes have their beginnings in crude and humble circumstances. The plan by which a group of people achieves progress is usually the product of some man whose genius is uncovered by a desire to help his fellow men. The yearnings of kindred spirits find expression in the idea. It is seized and embraced, and a great social movement starts rolling through time, lightening the burdens of humanity and raising the world to a higher plane. It is recorded in history that Abraham Lincoln, when a boy, visited a slave mart in New Orleans. The sights he saw there violated his concepts of justice and right, and he vowed that if ever the power were placed in his hands, he would smite the system of slavery. That idea found expression in the Emancipation Proclamation.

A few years after the close of the Civil War a master mechanic in the railroad shops at Meadville, Pennsylvania, conceived the idea of organizing his fellow laborers to introduce his "ideas of right and justice between man and man." The evening of October 27, 1868, John Jordan Upchurch organized Jefferson Lodge, No. 1, Ancient Order of United Workmen. This was the beginning of the fraternal system, which today is com-

posed of more than two hundred fraternal benefit societies of the United States and Canada, having over one hundred twenty thousand subordinate lodges and over nine million members.

The First Society.—Although other co-operative benefit organizations were in existence, and a few of these societies are still operating, the first society of what is known as the American fraternal system was the Ancient Order of United Workmen. Competent authorities declare that the chief purpose of Upchurch in organizing the Order was to provide workingmen with a union on a broader scale than the trades unions of that time. Indeed, the constitution written by the founder declares among its objects for "one united body for the defense and protection of their (those regularly employed in any branch of the mechanical arts) interest against all encroachments." Also, "the elevation of labor to that standard it is justly entitled to." Another object was "to discontinue strikes except where they become absolutely necessary for their protection and then only after all efforts of adjustment have failed." Thus, we see that the A. O. U. W. was created for artisans, with the interests of laboring men foremost in the plan. The insuring of its members was an afterthought.

We observe that the central idea upon which the Order expanded was a minor consideration at the time of organization. In a body of workingmen united for mutual welfare, however, it was natural that the protection of dependents should be included in their plans. In 1868 life insurance was a luxury for the few. Life insurance companies had been operating a little more than twenty years and their policies were sold chiefly to business men and manufacturers. No appeal was

made to laborers. Besides, a mighty prejudice against the companies existed; first, on account of religious belief that to insure was to fly in the face of Providence; and second, on account of the numerous failures of life insuring organizations. The scandals caused by failing companies led the founders of the A. O. U. W. to believe that only a mutual society controlled by its members could insure lives with a small expense for management and an honest administration of funds.

Protection of Dependents.—Death benefits were established by Article XVII of the Constitution of the first lodge of the Ancient Order of United Workmen. It was worded as follows: "There shall be established when the Order numbers one thousand members an insurance office and policy issued, securing at the death of the member insured not less than Five Hundred Dollars, to be paid to his lawful heirs."

However, the life insurance plan lay dormant until October 6, 1869, when a meeting of the Provisional Grand Lodge was held. An "Insurance Article" was adopted. It provided that each member pay one dollar to an insurance fund of the subordinate lodge. Upon the death of a member this fund was to be used to pay the funeral expenses and the remainder delivered to his family or heirs. In addition, whenever a death occurred the Grand Lodge was to demand the insurance funds in other subordinate lodges, forward the money to the recorder of the deceased member's lodge, and said lodge was required to "see that the entire sum thus placed in its hands shall be properly and judiciously applied for the benefit of the family or heirs of the deceased." The benefit for any deceased member was to equal in dollars the number of members who had contributed to the

insurance fund, except that not more than two thousand dollars should be paid on any one death. This was the principle upon which the fraternal system endured until it was readjusted upon rates based on mortality tables. In reality, it was a post-mortem contribution, except that the members contributed an assessment in advance to guarantee the prompt payment of death benefits, and additional assessments were levied when the benefit payments exhausted the fund. The first payment was for \$265 to the widow of Warren P. Lawson, who died in 1871 at Jamestown, New York.

Millions of dollars were contributed by members of fraternal benefit societies on this plan, and the proceeds were paid to bereaved families and heirs—mainly widows and orphans who were without other funds. The families that have been kept intact, the widows who have been saved from drudgery, and the children who have been educated and trained and started on life's journey as useful and self-respecting men and women, present a record for fraternalism that deserves to be extolled by every friend of humanitarian progress.

Growth.—The Ancient Order of United Workmen prospered. Jefferson Lodge, No. 1, became a thriving and influential organization. In January, 1870, a second lodge was organized at Corry, Pennsylvania, and a third was instituted soon after at Franklin, Pennsylvania. Then the society spread rapidly to other communities in the State, and the Provisional Grand Lodge was supplanted by the Grand Lodge of Pennsylvania, organized December 24, 1870, at Corry. It was incorporated by an Act of the State Legislature, approved March 9, 1871, by Governor John W. Geary. There was also an Unincorporated Grand Lodge, composed of eight subordinate

lodges. Intense rivalry between these Grand organizations was manifest until their merger in 1873. The Grand Lodge of Ohio was organized in 1872, and Kentucky in 1873. Also in that year came the organization of the Supreme Lodge in Cincinnati, Ohio, at which time the Degree of Honor, an auxiliary, was instituted. The Grand Lodge of Indiana was organized in 1873, and by that time pioneer work had been done in Iowa, New York and West Virginia. From this beginning, the Order spread rapidly throughout the United States. In 1877 the Supreme Recorder reported that a subordinate lodge had been established in Canada.

These details of the early history of the Ancient Order of United Workmen form an excellent basis for comparison with the results that have been achieved since that time and which will be presented shortly. Although representatives of six grand lodges were in attendance at the Supreme Lodge session of 1874, the total membership of all grand lodges was but 4,200.

Some students of fraternal history question the statement that the A. O. U. W. was the pioneer fraternal benefit society because of the fact that several fraternal organizations writing insurance today were founded before 1868. In *Statistics Fraternal Societies*, published annually by *The Fraternal Monitor*, six older organizations are listed, and the first of these was organized March 4, 1854. M. W. Sackett, in his volume, *Early History of Fraternal Beneficiary Societies*, declares that investigation "has fully convinced the writer of this history that none of these societies at the date of their inception could be classed as fraternal beneficiary societies, as the special significance of that term implies. The ingrafting of the distinctive feature of insurance or

protection through the medium of lodge organization was of later date." The discussion of this question probably will always induce controversy. However, the fraternal world almost universally accords the A. O. U. W. the honor of being first, and October 27, 1868, as the date of founding the fraternal system. Under the direction of the National Fraternal Congress of America a great celebration was held in August, 1918, at Philadelphia, in commemoration of the fiftieth anniversary of the founding of the fraternal system, and John Jordan Upchurch was acclaimed the founder.

The fact withstands argument that this society was the first to expand. It aroused the public to a realization of the benefits of fraternal co-operation and it was followed into new territory by other organizations which prospered nearly as well as the one which blazed the trail. With the advent of the United Workmen, fraternal insurance became popular. Before it came, fraternal benefits were practically unknown. For these reasons it is generally acknowledged that the A. O. U. W. was the pioneer society.

The popularity of fraternal protection soon spread over the Nation. Many societies were organized on similar plans. It would be impossible to compile a complete list of the others. Many have disappeared from the records, if not from memory. Some have merged with other societies. Others failed. But all served a useful purpose. The failures were due to their unscientific plans of operation and not to dishonesty of the officers. Of the societies that are active fifty years after the founding of the system, twenty-six were organized in the decade between 1871 and 1880. From 1881 to 1890 came forty-one new societies that are still in exis-

tence, and from 1891 to 1900 there were seventy-eight. This was the enthusiastic decade, when the orders increased their memberships with surprising ease and speed, and new fraternities met with prompt success. This period also saw the beginning of the movement for adequate rates and sound methods in operation. From 1901 to 1910 the societies organized and still going totalled thirty-two. The societies organized in the last decade have not been in existence long enough to have achieved any measure of success.

The System Today.—There has been no halt in the progress of fraternal benefit societies. Friends of the system are so accustomed to having the annual records of former times outdistanced by new reports that statistics of today will be known to be obsolete tomorrow. Achievements in the fraternal field since the first benefit society began business fifty years ago have created a mighty movement with impressive figures. According to the latest available statistics the membership of nearly 200 societies was over 9,000,000. Of these, over 400,000 were social members, leaving the remainder, over eight and one-half million, carrying benefit certificates. There were over 120,000 subordinate lodges.

Each of these subordinate bodies is a center for fraternal intercourse of people who have personal and neighborly interests in common. A lodge of one of these societies can be found in the most crowded portion of any city or in the wildest waste of earth—wherever mankind toils and lives, in the United States, Canada and other countries. Through an officer of such a lodge the members contribute to the common fund used for paying benefits to dependents of deceased members at home and abroad. And it is through the lodge that brotherly inter-

est and kindness is expressed—a mighty factor in keeping the system alive.

The insurance carried on the lives of their members by these societies, according to latest reports to State insurance departments, was over \$9,500,000,000. The certificates vary in size from \$250 to \$5,000, with the usual maximum amount issued at \$3,000. The average amount of protection carried in each of more than eight million benefit certificates is a little in excess of eleven hundred dollars. This is a low average, caused by the inclusion of societies paying funeral benefits in small amounts. It is the belief of the author that the average sized certificates issued by societies writing fraternal insurance are about fifteen hundred dollars. These are too small to fulfill a man's obligation to his family, but they provide funds for the dependents to tide over the period when money is needed most. However, the average member belongs to more than one society, and he sometimes carries insurance issued by commercial companies.

The total income for these societies in a recent year was \$164,848,635, and their disbursements were \$140,149,963, and \$113,763,279 of the expenditures were for benefits.

The difference that year between the income and the outgo, a sum of \$24,698,672, therefore was added to surplus funds. And these increasing surplus funds are held for the purpose of paying benefits in the future. The assets of the fraternal benefit system at the time of this writing are close to \$400,000,000. When it is considered that until recent years most of the societies operated on the assessment-as-needed plan, with which a surplus was considered unnecessary, this sum represents

a splendid accomplishment. In the few years since first fraternal operation accepted the reserve plan, the accumulation of more than three hundred million dollars is a mighty testimonial of increasing strength.

In the fifty years of its existence the fraternal system has paid over three billion dollars in benefits. Societies paying death benefits have over \$2,400,000,000 to their credit, and those paying disability benefits for sickness have distributed over \$650,000,000 among their members.

All Inclusive.—The wide popularity of fraternal protection is caused by the fact that the societies have not been confined by racial, religious or other bonds. The system is all inclusive. While the societies restrict entrants by some measure of classification, we have organizations for almost all races and creeds. The largest are those which require only that applicants shall be men of legal age and good character. Then we have societies that admit both men and women, and there are those that are devoted to women exclusively. In ethnical qualifications there are English, Canadian, Scotch, Irish, French, Polish, Bohemian, Italian, Greek, German and other groups that have come to America to join in making this a cosmopolite nation. Protestants, Catholics and Hebrews have their distinctive organizations.

Operating Plans.—Each fraternal benefit society operates under a representative form of government for the benefit of its members, and without profit. It is mutual and co-operative in every respect. Absolute control is vested in the supreme lodge, which is composed of delegates elected by the members. The supreme lodge meets in convention at stated intervals to enact laws, elect supreme officers and a board of directors, decide controversies between the members and act upon appeals

from decisions of the supreme officers or subordinate lodges. The supreme officers and directors hold office and conduct the business of the society by authority of the supreme lodge. Charters for subordinate lodges are granted to groups of individuals who qualify for membership and can satisfy the supreme officers that such a lodge would prosper in the locality in which they live.

In transacting the business of the society the supreme officers rarely come in contact with the individual members. Distance of members from the head office and the large numbers on the membership rolls make this impractical. Therefore the business is done through the subordinate lodge secretary. This officer, when elected by the subordinate lodge, acts as agent for the members. When appointed by the supreme officers or directors, he is agent for the society. This point is important on account of deciding the legality of suspensions and various other acts of the secretaries. The members pay their monthly or quarterly assessments to the secretary, who issues receipts for the same. He remits to the society the total of assessments due from the members. And in other matters, such as obtaining proof of death of a deceased member and delivering check for the benefits, this officer transacts the business.

The financial management of the fraternal benefit society will be discussed in other chapters. A simple statement of the operation of the benefit fund would include the fact that fraternal societies reserve the right to assess their members as often as necessary to pay death claims or to maintain actuarial solvency. Under the present-day system, however, this fact need not frighten any member. The reserved right to assess is an element of strength, because it provides a plan for an insurance

organization to maintain an adequate reserve when the unexpected happens, such as war or an epidemic. Its beneficent results were observed when the United States went into the world war; the societies permitted their members to go to war without imposing extra premiums, and the extra war mortality was provided by small extra assessments on the members who stayed at home. Most societies of the present collect specified assessments at regular intervals, usually one a month, and, if the rates are sufficient, a reserve fund accumulates. An adequate reserve fund guarantees that the rates need not be changed during the life of the member. He will be given whole-life protection on a level rate.

Benefits paid by most fraternal societies are life insurance. This constitutes the great bulk of their business. It is mainly insurance for protection, without frills and investment features. A factor of strength in fraternal operation is that the insurance is that which will give the best protection for the money. Some societies pay benefits for sickness and accident, while a few are limited to funeral benefits. Old-age disability payments for members have become popular in recent years and a safe estimate would be that one-half the societies grant relief of some kind to their members who reach age 65 or 70.

Other Features.—The privilege of attending lodge and enjoying the fellowship of others is a feature of membership in benefit societies that should not be valued lightly. The lodge is the people's forum and club. Questions of importance to the community are discussed there, and the social affairs are events that call together those who desire entertainment and recreation. The ritual gives an opportunity for those with dramatic ability to express their talents. A lodge composes a group of peo-

ple with mutual interests who are bent on co-operating for the good of all, enjoying the society of each other and extending encouragement and relief to those who have been overtaken by misfortune. There has been a tendency in recent years by a few societies to minimize the importance of subordinate lodge activity. This course is a mistake. The lodge has ever been the center of fraternal progress, and the societies which have increased their memberships most in recent years are those which have emphasized the importance of active lodges and good fellowship.

Membership in a benefit society confers other privileges. There come to mind tuberculosis sanatoria and homes for the aged maintained by various societies, as well as orphan asylums. These express the benevolent side of fraternity. No member of a fraternal society who is consistent in maintaining his membership need ever hope in vain for a friend, because he will have many; he need not go without comfort in sickness, because there will be brother-members to look after his wants; and he need never worry that his dependents will be left friendless and in poverty. A society's chief purpose is to prevent such misfortunes. Once in a while we hear complaints that fraternities are unsympathetic and neglectful, but investigation of the facts usually shows that the persons making such charges are those who have neglected their fraternal obligations. Fraternity, like religion or a savings bank, gives most to those who put in most. And the best deposit in the bank of fraternity is heart-felt interest and support.

Influence in Social and Political Life.—The fraternal system is a potent factor in developing the social life of the Nation. While fraternal benefit societies are

non-political and usually non-sectarian, they take a lively interest in all matters affecting the home. Fraternalists are essentially home lovers; their certificates of membership are for the protection of the family. Any question of National, State or local importance affecting the living conditions of mankind are sure to be discussed in lodge. There is not always unanimity in opinion, but the discussions bring forth the facts which determine the side upon which to take a stand. And the fact that the members come from various walks in life tends to broaden their viewpoints and sympathies.

A Permanent Future.—The fraternal system has endured for fifty years and it is stronger now than at any other time in the period of its development. It started with its death benefit system on an unscientific basis, and it went through a mighty upheaval of readjustment, yet it continued to advance. The period of readjustment established a condition which guarantees the safety of the future, and the fraternal system has entered a new era on an enduring plan of operation. Almost universal is the recognition that a reserve is necessary for whole life protection. Legislation in the various States, sought and enacted by the influence of the societies, requires that they operate on scientific plans. It guarantees solvency. It means that every benefit certificate will become an obligation which will be paid. With the marvelous progress of the past as an incentive, what a wonderful vista opens to the future! That record was made on a precarious plan; the future starts on a solid foundation.

CHAPTER II

ORIGIN OF ORGANIZED BENEFICENCE

In the preceding chapter was related some of the incidents connected with the birth of the American fraternal system, but organized protection has a deeper and older origin. In other times and among other peoples similar movements existed. While their plans of operation were different, their purposes were almost identical. Therefore, we must conclude that co-operation for mutual assistance and the protection of dependents springs from an inherent desire for fellowship and a fine instinct for security which is as old as the human race. These find expression in like circumstances, and their works are among the nobler accomplishments of mankind.

When reaching back to antiquity we must be careful not to seize upon legendary accounts and twist them into plausible illustrations to suit our purposes. History records that since the dawn of time men have combined for mutual welfare, and the purposes of some of their societies were closely akin to those of the benefit societies of today. We read that burial societies are maintained by the Chinese and that these have come down from ages unrecorded in history. The Greeks, during the flush of their magnificent civilization, had burial and fraternal societies, and so did the Romans. In medieval times all of Western Europe was organized in trade guilds. In England the guilds developed into friendly societies. And the English friendly societies of the present are a development of and an improvement over the earlier organizations. I am indebted to the writings

of Abb Landis, that great fraternal thinker and actuary, for some of the following results of his researches.

Burial Societies of Ancient Times.—For several centuries before the Christian Era the Grecians possessed societies which paid sickness and burial benefits as a natural result of their fraternal co-operation in other endeavors. They organized to celebrate religious festivals, and the common interest engendered in their association together caused them to invent plans to render assistance to members who were visited by misfortune. This led to the custom of providing suitable burials for the members. The investigations of Abb Landis convince him that these Grecian societies grew up as private corporations recognized by the State, which had laws, officers, degrees, contributions and benefactions, and regular meeting places. They were numerous in the cities. Some of the societies of Rhodes were Companions of the Sun, Sons of Bacchus, Sons of Minerva, Sons of Jupiter Atabyrius, and Sons of Jupiter the Savior. At Athens there were the Heroists, the Oregons and the Thiasotes. A powerful order of Greece was the Eronoi.

In Rome there was the Collegia. Many of the freemen of the Roman Empire belonged to this society. According to an inscription found at Lanuvium, nineteen miles from Rome, a society which was organized for the worship of Diana and Antinous, collected dues regularly from its members. The funds were spent for feasts and festivities and for the funerals of deceased members.

The idea of organizing for mutual assistance was carried by the Romans in their campaigns of conquest to Western Europe and the British Isles. Although the Grecian and Roman societies expired with the fall of their civilization, there emerged in medieval times the

trade guilds of Western Europe. These guilds may be traced back to the Roman societies, and authorities agree that the connection is clear. Until the Reformation the guilds controlled all Europe.

The Guilds of Western Europe.—Historians have assigned the guilds of the Middle Ages an important influence in the development of Europe. From the fall of Rome until the Reformation, every village in France, Germany and England had its society, or several of them. An early trace of the guild may be found among the laws of Ina, a Saxon king who reigned from 688 to 725 A. D., wherein the liability of members of a guild in the case of the killing of a thief was defined. Athelstan, who reigned from 924 to 940 A. D., ordained that the contributions made by guild members should be a "fine loaf" by each upon the death of a brother. The loaves were sold and the proceeds used to pay priests for saying masses and singing psalms for the repose of the dead. The word guild, or gild, means payment, or tribute. From the very earliest existence of such organizations it was understood that their purpose was to collect dues from the members for their common use.

The guilds belonged in three clearly defined classes. There was a semi-religious guild that provided for burial ceremonies, the trade guilds which controlled industry and operated somewhat in the manner of the trades unions of our time, and the merchant guilds, whose object was to hold monopolies and seek privileges, such as freedom from tolls. These guilds became in many cases the governing bodies of the borough, and often were courts of justice. The laws of that period indicate that it was accepted as a matter of course that everybody belonged to guilds.

The purposes of guilds included the various advantages which men could attain by organizing. In the *History and Development of Guilds*, Brentano says that their objects included "every exercise of Christian charity, and therefore above all things, mutual assistance of the guild brothers in every exigency—especially in old-age, in sickness and in cases of impoverishment, if not brought on by their own folly—and of wrongful imprisonment, losses by fire, water or shipwreck, aid by loans, provision of work, and lastly, burial of the dead. It included further, the assistance of the poor and sick and the visitation and comfort of prisoners not belonging to the guild."

In some countries, particularly England, women as well as men were admitted to membership in some of the guilds. People high and low, the rich and poor, freeman, villein and serf, sat side by side in the meetings. It is related that "Kings Henry IV, VI, and VIII, and many princes and lesser members of the nobility in England were members of local societies." During the Reformation most of the guilds in the Protestant countries were suppressed on the alleged ground that they "were unchristian and inculcated superstitious ideas in the minds of the people." In England they were superseded by the friendly societies, which have endured to the present time.

The effect of guilds on the people of the Middle Ages was the factor that probably led them out of the stagnation which had settled upon humanity. The people were groping for a means to advance. Patriotism rested lightly upon the individual for the reason that governments failed to protect their subjects from enemies and from the thieves and highwaymen that infested country

roads and even village streets. People naturally turned to each other for protection. Their guilds protected their lives and their property interests, settled disputes and provided proper burial.

English Friendly Societies.—The great benefit system of today in England is administered by friendly societies. These are organizations having similar purposes and methods of operation to those of the American fraternal benefit societies. They have descended from the friendly societies that followed the guilds of the Middle Ages and have undergone a period of readjustment similar to that of our societies. The friendly societies are solvent, are a fixture in the life of the people and their future is secure. One has existed for 750 years. The chief purpose of friendly societies is to pay sickness and funeral benefits, and the maximum risk on any one life is not over \$1,000. American fraternal benefit societies are mainly life insuring organizations, with certificates rarely exceeding \$5,000, although a few pay limited sickness and accident benefits.

The transformation of guilds into friendly societies is difficult to describe. The English guilds began to decay in the fifteenth century. Corruption amongst them was not uncommon, and the privileges of membership were abused. In the sixteenth century, by the passing of Acts 27, 31 and 37 of Henry VIII, and Act 1 of Edward VI, enabled the king to confiscate the property of guilds and monasteries. In the sixteenth and seventeenth centuries some of the societies which had survived confiscation and retained a semblance of an organization were reformed. New societies were started on the general scheme of the guilds, but modern features were included. George F. Hardy, a noted English actuary, wrote in

1887 as follows: "The friendly societies existing at the close of the eighteenth century appear to have been very similar in the nature of their operations to those of the present day. It is difficult to estimate, with any degree of certainty, the number of societies or their aggregate membership, but there is good reason for believing that they were at least as numerous in proportion to population as at the present day. Sir P. Colquhoun, in 1796, estimated the number of societies in London at 600, with a membership of 70,000, while Sir F. M. Eden, five years later, considered that the whole kingdom might number 7,200 societies, with a membership of over 600,000."

From a recent report of the Chief Registrar of Parliament, ordered by the House of Commons, we learn that there are about 10,755 of these societies in England, with a total membership of more than 7,000,000. One society has 865,000 members; another 472,000. The oldest has existed 750 years, probably beginning as a guild. The next oldest has lived 560 years. About eighty organizations of this kind, still in operation, were founded before the nineteenth century. Some of the oldest and the dates of their organization are as follows: Count de Winton Society, 1168; Lord Evans' Society, 1358; Deacons' Benefit, 1687; Hand in Hand, 1696; Norman in London, 1702; Earl Skilton, 1704; Society of Linton, 1708; Ovington of Northumberland, 1711; Goldsmith of London, 1712; Mutual Brothers of London, 1717; Hope of London, 1720; Canterbury Friendly Society, 1737; Royal Artillery, 1752; Whittenton Men's Society, 1754; Charitable Society, 1759; Amerly Clothiers Society, 1760; Old Spread Eagle Society, 1762; Wheat Sheaf Friendly Society, 1763; Kinksley Friendly Society,

1765; Meriden Friendly Society, 1768; Scottish Widows, 1815.

Toward the end of the eighteenth century the social features of friendly societies became so pronounced that their beneficial mission was almost forgotten. Feasting and drinking became so general that they were sometimes called in derision, "Free and Easies." A marble mason, named Bolton, became the leader of a movement to reform the societies. In 1812, at Manchester, he organized the improved Order of Odd Fellows' Club. His success is described by Abb Landis as follows: "His scheme was to abandon the 'free and easy' proceedings and make an effective provident institution, adapted to the wants of artisans whose occupations called them into various parts of the kingdom. Probably from this idea came the word 'Independent,' introduced into the name of his organization—as the 'lodges' at different places were to be *independent* of each other; while the 'Manchester Unity' conveyed the other idea of general centralization in supervision and co-operation. The Manchester Unity—Independent Order of Odd Fellows, was the pioneer of modern friendly societies and today leads all others in the world in number of members and financial strength."

Modern friendly societies are voluntary associations for the purpose of giving relief to their members in sickness, in old-age, or other infirmity, and to their families at their death. They experienced an unscientific beginning, disappointment for the members by reason of changes in operation, readjustment of rates and finances. Mr. Landis says that the Manchester Unity, because of its age, its size, its success, its mortality and sickness experience, its errors and reforms, and its most comprehensive conduct in operation, has a history that

covers all the ground necessary to be turned in order to reap the benefits from a study of past action and present prosperity of friendly societies. The course followed by American fraternal benefit societies in striving for solvency was almost identical to that traveled by friendly societies many years before. The beginnings, errors, disappointments, reforms and successes were very much alike. They followed scientific laws which are always applicable and dare not be broken without a penalty. This applies to all peoples in all ages.

We have heard it said that the American system was copied from the English system. This is an erroneous statement. We have competent authority to prove that the founders of the first American society were unaware of the English system or its methods. They started in total ignorance of scientific principles. Had they been acquainted with the history of friendly societies they could have avoided at the beginning many pitfalls that awaited them. The only scientific life insurance plans with which they were acquainted were those of the commercial companies, and there was so much corruption and dishonesty in their management in the decade between 1861 and 1870 that the fraternalists were repelled by the record. For this reason the founders of the fraternal system avoided all the earmarks of life insurance companies when making their plans. Life insurance had such an unsavory record at the time that anything smacking of the methods of the companies was immediately condemned. When the first American society was organized the English societies had about sixty-five years' practical experience in readjustment and solvent operation.

The first legislation affecting modern English friendly

societies was Sir George Rose's Act, the 33 Geo. III, c. 54, passed June 21, 1793. It established supervision and a few safeguards for management. It required the submission of rules, or their alteration, to the justices at Quarter Sessions, who had power to confirm or reject. The objects of the society had to be specified, and a dissolution could take place only with the consent of the justices.

In 1818 the first bill presuming to set up a standard of scientific rates was introduced in Parliament. It required tables and rules to be submitted to "persons skilled in arithmetical calculations," which was struck out of the Act passed the following year.

A review of the Act of 1819 by Mr. Landis is as follows: "This Act provided that rules and tables of all future societies should both be confirmed by the justices at Quarter Sessions; and, moreover, contained the important provision that such justices should not confirm or allow any table of payments or benefits, or any rules dependent upon or connected with the calculations thereof, until it shall have been made to appear to such justices that the said tables and rules are such as have been approved of by two persons at least, known to be professional actuaries or persons skilled in calculation, as fit and proper according to the most correct calculation of which the nature of the case will admit."

The Act of 1829 repealed all former legislation affecting friendly societies, but retained the essential features in a consolidated statute. It prescribed regulations governing the organizing of new societies. The most important provision was that requiring reports every five years of sickness and mortality experience to be made to the clerk of the peace, by whom they were to

be transmitted to the Secretary of State and laid before Parliament. It was stated in the Act that the object was to collect data "by which tables of the payments and allowances dependent on the duration of sickness and probability of human life may be constructed, the present existing data of these subjects having been found imperfect and insufficient."

The legislation so far reviewed and the Acts of 1834 and 1846 were effective in getting new societies started on a scientific basis, but the old societies had withstood successfully the efforts to obtain statutes to reform their plans. Consequently, as time went on, they began to show the effects of operating on rates inadequate to accumulate reserves. Big deficiencies in the funds to pay promised claims resulted. Therefore, in 1849, there was introduced in the House of Commons "A Bill to make better provision for the Certifying the Tables of Contributions and Payments of Friendly Societies, and for ascertaining from time to time the Solvency of Such Societies." Several petitions followed, and these, with the Bill, were referred to a Select Committee of the House, which conducted the investigation of 1850.

Mr. Nieson, a noted actuary, was one of the witnesses examined, and stated his belief that friendly societies as they had existed until a recent date before the investigation "were generally unsound, and chiefly so from an inadequate amount of contributions being required by their tables, at least by those having tables." Some societies had been collecting assessments which were not based on mortality tables, and those "established 20 or 30 years ago upon inadequate data may now, on investigation, find that they had all along been charging one-half less for some of the particular benefits than they

ought to have charged; and many societies have proved this by experience. They have broken down in consequence of inadequate contributions. Some societies being alarmed by a gradual deficiency taking place year after year in their funds, have had recourse to a great many expedients by which to prop themselves up."

The Select Committee reported to the House of Commons that it had examined sixteen witnesses, and it had learned that by the exertions of benevolent persons, and by means of a more extensive and accurate collection of statistical materials, better information of the calculations and principles upon which such societies ought to be based had been obtained and diffused. "Attention has been much turned to the defects inherent in the old clubs," continued the report, "and many societies on a sounder system have been established; still it is stated by the secretaries and others who have attended the committee that in the great majority of friendly societies and clubs at present existing, an accurate examination of their accounts should show that the rate of contributions is not sufficient to enable them to pay the benefits insured thereby; that in many instances they have been compelled to reduce or suspend their allowances; and those societies which have hitherto kept their engagements have probably been enabled to do so by a continual introduction of new members, so that the unsoundness of their tables has remained unnoticed. As a guide, then, and a safeguard to the ignorant, it has often been suggested, and was pressed upon the committee by some of the witnesses that the government should cause model tables to be constructed, and should force an adherence to them."

The report of the Select Committee sounds like a de-

scription of the American societies as they were when adequate rates and solvent operation were being discussed so acrimoniously in this country. History repeats itself. The conditions of the English societies described in 1850 were almost identical to the conditions of our societies of 1910.

However, the recommendations of the Select Committee were ignored, and the Act of 1850 became a statute of minor considerations, except that a limit was placed on the amount of benefits for children's insurance. And the Acts of 1855 and 1858 were likewise silent as to remedies for the trouble.

In 1870 the situation in regard to the friendly societies had reached such a state that a Royal Commission was appointed with instructions to investigate thoroughly and exhaustively the subject and report the findings to Parliament. The investigation lasted five years. The Commission's report resulted in the Act of 1875, which placed the friendly societies on a scientific plan of operation, headed towards solvency and a permanent future. The recommendations were concise and complete and verified the report of the Select Committee in 1850. The Royal Commission suggested the following: "We attach, however, much more importance to properly conducted periodical valuations, and to corrections made from time to time in the tables according to the results of those valuations, than to the original tables themselves; and we consider that such valuations should be made compulsory upon all registered societies."

The Act of 1875 contained the following among its most important provisions: "(1) the maintenance of the voluntary principle, as respects registration and the actuarial certification of tables; (2) the continuance of the

quinquennial and annual returns; (3) the limitation of benefits, especially for infants' assurances, this provision also applying to industrial assurance companies; (4) authorizing the treasury to issue regulations from time to time, and the power conferred on the registrars to appoint inspectors, when duly requested, to inquire into the management of societies, and call general meetings of the members; (5) the compulsory valuation of all registered societies every five years, and the provision for the appointment of public valuers by the treasury, who might undertake such valuation; (6) the reconstruction of the Registry Office, resulting in the appointment of an actuary to the registrar." (Abb Landis: *English Friendly Societies*.)

The law required valuation with publicity, but no requirements for soundness, thus permitting the societies to work out their salvation under the weight of public opinion and the desire to become enduring.

Until 1896 this Act was in force and remained unchanged except for a few minor amendments. By 1896 the friendly societies had attained a splendid condition, were operating on the scientific plans induced by government regulations and practically all were solvent. A revision was made of the enactments at that time, retaining the constructive features, and the Friendly Societies Act was passed by Parliament August 7, 1896, and remains in force today.

It will be observed that the period of readjustment for English societies was longer than the entire experience of American societies. They might have shortened the time had British lawmakers been more prompt in enacting the legislation recommended by the earlier commissions, and which would have required them to adopt

reliable tables and test their experience by valuation. The readjustment of friendly societies was delayed because lawmakers were dilatory, and it is presumed that this was caused by the influence of societies which wanted to be left alone. The quicker results attained in the United States may be credited to the fact that fraternalists themselves drafted the various legislative bills and supported them in the various legislatures. However, the English people were on pioneer ground, while we have had their experience to guide us.

Social and Secret Fraternities.—The orders which exist for purely fraternal purposes are in no way connected with the fraternal benefit system. The leading secret orders are much older than any benefit society in America. However, the purposes of the different classes of fraternities are closely related and great numbers of persons are members of various kinds of fraternities. Benefit societies are more closely related to each other, and this co-operation obtains for them the things necessary to their progress as insurance organizations.

The Masonic order has a membership of nearly two million in the United States and Canada. Grand lodges of these countries are in affiliation with the Grand Lodges of England, Ireland, Scotland, Cuba, Peru, South Australia, New South Wales, The Netherlands, Belgium, Sweden, Norway, Denmark, Victoria, and the Masonic bodies of Germany and Austria.

The membership of the Independent Order of Odd Fellows, which comprises the Grand Lodges of Australasia, Germany, Denmark, Sweden, Switzerland and the Netherlands, is considerably over two million. The American organization numbers over 1,600,000. In England there is the Manchester Unity of Odd Fellows

with over 1,500,000 members, and with which the American organization is not in affiliation.

A number of purely benefit organizations are composed entirely of Masons or of Odd Fellows, but are not recognized by the main orders. While the Masonic order protects its members and their widows and orphans, no specified benefits are paid. The Odd Fellows order pays a certain funeral benefit.

Several organizations constituted as fraternities have insurance funds within the membership. Among these are the Supreme Lodge Knights of Pythias, and the Knights of Columbus.

Other societies have been organized for fraternal, protective and other purposes and are among the most successful orders. Some of these are: Independent Order of the Rechabites, Order of Good Templars, Loyal Order of Moose, Fraternal Order of Eagles, Improved Order of Red Men, Benevolent and Protective Order of Elks, Order of Owls, United Ancient Order of Druids, Ancient Order of Hibernians, Junior Order United American Mechanics, Foresters of America, Patriotic Order Sons of America.

Life Insurance Companies.—In many countries and in many ages individuals have been willing to assume risk on lives of people as a business venture. In earlier times there was no data by which the business could be put on a scientific basis, and the premiums in such deals were so big that they partook more of gambling than of protection. Such business as was transacted was not recognized by the State and no general institution was instituted.

A royal charter was granted in 1706 to "The Amicable Society for a Perpetual Life Assurance Office" in Lon-

don. This organization and a few others started on uncertain careers. In 1756 "The Society for Equitable Assurance of Lives and Survivorships" were projected in England, and granted more liberal policies for the premiums paid. By the beginning of the nineteenth century the laws of mortality were comprehended, and eight companies for insuring lives were doing business in Great Britain. In 1844 more than 140 companies and societies were flourishing, and Great Britain was the leading nation in the insurance world.

In 1843 the Mutual Life Insurance Company, of New York, issued its first policy, and this was the beginning of commercial life insurance in the United States. Before 1850 a few other companies were organized. However, the oldest company in America is the Presbyterian Ministers' Fund, of Philadelphia, which was organized in 1759. It insures ministers of all evangelical denominations.

Life insurance companies in America grew from the beginning and met with wonderful success. They continued to grow during the Civil War, 1861 to 1865, a period when other business enterprise was blighted. The Americans have built an institution that surpasses the other life insurance companies of the world combined. The late Joseph A. DeBoer, a company president with notable abilities, ascribes this achievement to the following: "Because it is especially adapted to the needs of our people, because it is especially fostered as a business by the character of our political institutions, and, finely and particularly, because it has received the impulse of an extraordinary body of managers and agents, who have controlled and directed its sales and adjustments and through whose zeal, ability and unre-

mitting energy, life insurance has been advanced to a national position of the utmost political and economic importance."

It should be set down here that a large share of the popularity of life insurance companies is due to the educational work done by fraternal benefit societies. Hundreds of thousands of persons have first been insured in a fraternity and later have taken insurance policies. Many of them would never have been insured if they had not been taught the principles of protection by fraternal societies. They learned that their dependents should have their future safeguarded against poverty. In this way the agents of life insurance companies have had much of their educational work done for them by the societies.

American Benefit Societies.—That the founders and leaders of the first important American benefit society had no knowledge of the history and experience of English friendly societies is a fact credited to Myron W. Sackett, who was for thirty-six years Supreme Recorder of the Ancient Order of United Workmen, and furthermore was associated with the leaders in the early years when the insurance plans of the Order were formulated. Writing a reply to correct a statement that the form and plans of the A. O. U. W. were modeled after those of the two affiliated friendly societies of Great Britain, the Foresters and the Manchester Unity of Odd Fellows, Mr. Sackett said: "From personal official connection with the management of the A. O. U. W. in the early years of its history and intimate relationship with the founders of the Order, the writer * * * can assert with positiveness that neither himself or they had any knowledge at that time of the existence of the two Brit-

ish societies above mentioned. If in some ways the lines of operation adopted followed those of the foreign societies it was unknown to them, and we think we could say with truthfulness that to the date * * *, 1880, little, if any, knowledge was had by any one in official position in the fraternal beneficiary societies then in existence as to the laws or history of the British societies—this information was disseminated at a later period."

Therefore, let it be understood that the American fraternal system had its beginning as a result of the fraternal desire of men to co-operate for their mutual welfare and happiness, and that the benefit plan they introduced followed an innate prompting to protect their dependents. Victor Hugo says that the voice of conscience is as thunderous as the sea; it cannot be ignored. Another voice that speaks through the hearts of men with equal force is the voice of Fraternity; it has behind it the power of love expressed through hundreds of generations and is closely allied to conscience. It is the voice that tells men to unite for the protection of their kind and their own. When John Jordan Upchurch launched a fraternal benefit society he provided a way for men to obey that voice. They followed the simplest plan, the first scheme that occurred to them. It was unfortunate that ignorance prevented them from taking profit from the accumulated experience of sixty-five years of reform by English friendly societies. It is possible, had they known the scientific principles of operation, they would have rejected them as being too complex for their purposes. The result was that the American societies had to undergo a period of readjustment similar to the experience of fraternalists across the sea.

However, they persevered and their triumph is in sight. Soundness and solvency will be the chief characteristics of fraternal operation in the future.

CHAPTER III

DEVELOPMENT OF OPERATING PLANS

Although the purposes of the fraternal benefit system remained essentially the same throughout its growth, the plans upon which the societies operated underwent a remarkable development. The founders of the first society visualized the results they desired to attain. They were unacquainted with the principles of the life insurance business and, had they possessed a working knowledge of that science, we may hold the belief that they would have rejected such principles. They were too complicated for their plans. Anyway, the life insurance business was in bad repute in the years immediately following the Civil War because of numerous frauds and failures.

The fraternalists desired to establish a worthy institution in a simple way. They organized their insurance plan as a mutual co-operative society, the members each paying an equal amount as contribution to a fund for the family of a member who died. It was indeed simple and easy to explain—when a member died, each of the others were to contribute a dollar. This is known as post-mortem assessment insurance. It is workable as long as the members hold together.

The history of the Ancient Order of United Workmen shows that the early members were not troubled by actuarial calculations, the accumulation of a reserve, nor the increased cost of insurance as a result of rising mortality with advancing age. Actuaries and their calculations were unknown, a reserve was believed for a great

many years to be necessary only for commercial insurance, and they had a wholesome respect for and faith in brotherly co-operation to satisfy the demands of the future. The ties which bind men together in an unselfish enterprise were deemed to be sufficient to guarantee prompt responses to assessment calls, to inspire honest and efficient handling of the funds and to promise capable administration of the Order's business affairs. And the fact that the fraternal system has been free from the scandals of misappropriated funds and dishonesty in management is potent evidence that their faith in mankind was justified.

However, the plans of the founders were in almost constant revision from the beginning. It was a natural evolution. The introduction of systematic methods, one after the other, kept the organization in turmoil. As the Order grew, new men with new ideas came to the fore and demanded attention. As the membership increased, the plans were elaborated to accommodate the enlarged scope of the work. During the years of debate and legislation the Society builded a code of laws, rulings and precedents, many of which are landmarks in operation for all societies today. The insurance articles were barely in force before changes were made, and these were enlarged throughout the years, until there came the period of readjustment for all societies, which put the fraternal system on a program to achieve a sound and enduring future. Not only the operation of benefit funds, but the schemes of administration and legislation went through a process of improvement. The rituals were revised to correspond to the original and distinctive purposes of a benefit society. The benefit fund was subjected to checks and safeguards. Collections of

assessment were made business transactions by which misunderstandings were obviated. Medical examinations were elaborated until they became a careful selection of risks. Payments to beneficiaries were made promptly and engendered confidence in the Order. The certificates of membership were soon believed by members to be absolute promises to pay maximum amounts of benefits—so conscientiously and religiously did the Order pay the insurance on time. This last was a feature, while creditable and noble, that led to future misunderstandings. By their mutuality the members were self-insurers and did not enjoy contractual rights, a point that took years of litigation to settle. As we proceed with our study of the fraternal system we shall become impressed with the influence of the early development of the A. O. U. W. upon the operation of today. The chief factors of strength today in the societies were given form and substance in the very earliest fraternal experience.

Organization.—The first benefit scheme was constructed with the smallest unit as the beginning. This was the local lodge, and it was not subordinate at that time because there was no higher body to which it could pay allegiance. The lodge was the body consisting of the individual members. Then came the grand lodge, which was designed to have jurisdiction over a State, one of the commonwealths of the United States. Above this was placed the supreme lodge, which had jurisdiction over the grand lodges, the subordinate lodges and the members. We must admit that the plan of the organization was not original with the founders of the first society, because various social secret fraternities, well known at that time and today, were organized on almost identical lines. The idea was meritorious and has

endured practically without change to this day, except that now many of the societies dispense with the grand lodge and make the subordinate lodges directly responsible to the supreme lodge.

With each organization it was necessary to have a complement of officers to administer the business affairs. Thus we have officers corresponding to president, vice-president, secretary, treasurer and the various posts necessary to carry on the business and ritualistic work of supreme, grand and subordinate bodies. The titles held by the members in the various offices usually originate, either by custom, or from the allegory upon which the ritual is based, and they sometimes convey a description of the duties of the office. In this manner are perpetuated many posts of honor known in mythology and ancient history, as well as organizations in former times with admirable plans for protecting their people. Even various groups in the animal kingdom, known for their loyalty to each other and the protection of their young, have inspired fraternalists to build fanciful rituals, and these emphasize principles of love, co-operation, thrift and loyalty to which members can subscribe. They teach patriotism, religion, charity and loyalty.

While the administration of fraternal benefit societies has been carried on through a plan of organization adopted at the beginning, the experience of a half century has clothed the system with various requirements which must be possessed by every society operating under the statutes regulating such organizations. Laws of the various States impose the following essentials: (1) A society must be without capital stock; (2) it must be "organized and carried on solely for the mutual benefit of its members and their beneficiaries;" (3) it must be

conducted "not for profit;" (4) it must have a lodge system; (5) its lodge system must employ and be conducted upon and with "ritualistic form of work;" (6) it must have a representative form of government; (7) it must pay death benefits; and (8) the beneficiaries must come within a restricted class named in the law.

Ritualistic Form of Work.—John Jordan Upchurch was the author of the first ritual used by the Ancient Order of United Workmen. He was a Mason. The secret work of that fraternity impressed him with the desirability of binding together the members of the new society by solemn obligation, teaching them the tenets of an unselfish brotherhood, and impressing upon them by a dramatic ceremony the advantage of leading upright lives. The Upchurch ritual consisted of four degrees and was used in initiating the first members of the Order.

In the history written by the late M. W. Sackett, Supreme Recorder, and which is in reality his memoirs, the author relates that the ritual was changed and revised several times in the early years. In 1871 a new ritual was adopted, and it consisted of three degrees. But this did not prove satisfactory and, when the supreme lodge was instituted in 1873, an entirely new ritual was adopted. This was amended in 1874.

A ritualistic form of work has been a characteristic of all the societies organized since the beginning. Much of the work has been secret and the rituals of many societies have been among their chief assets. Beautiful and practical lessons in brotherly love have been taught to those who have taken part or have witnessed the ceremonies. The most pleasing form of entertainment is that in which people may take part as actors or par-

ticipants, mingling and co-operating with others for the same purpose, and to this may be ascribed the attraction of ritualistic work. It enables the members to develop their dramatic and oratorical talents, and the lessons taught by the ritual are impressed upon their minds for life. In addition to being an asset, the rituals of some societies have been their most distinguishing characteristic. and fraternal history shows that the organizations possessing the most striking ceremonials have been among those which have made the greatest progress.

The mummery and secrecy of fraternal societies have drawn severe criticism from persons who could not understand their value. The fraternal system has met with great antagonism from persons who believed, because the meetings were secret, that evil was being concocted. Much of this feeling was an inheritance of the agitation against secret fraternities of a hundred years ago and, because benefit societies had adopted some of the forms of the older orders, they were subjected to the same criticism. However, the good works of benefit societies have justified their existence, and the excellent standing of the people engaging in ritualistic ceremonies has dulled the criticism.

The Certificate.—The certificates of membership in fraternal benefit societies today are concerned chiefly in explaining the provisions for benefits. Some are elaborate specimens of the engraving art and vie with the impression created by gold bonds or other securities. They are designed to reflect the high character of the benefits they confer. Often they are called policies, on account of the fact that the payment of cash benefits corresponds to the proceeds of a life insurance policy.

issued by a commercial company. Yet these certificates, now elaborate and complete, have developed from a very simple plan.

When the first Insurance Fund of the Ancient Order of United Workmen was arranged the members were enrolled in the insurance book kept by the recorder of the lodge, and each member was entitled to designate the person or persons he chose to "recognize as his legal heir or heirs, and have the same changed at any time he may so desire." No benefit certificates were issued.

Early in 1872, however, plans for operating the benefit feature assumed a business-like character. The maximum amount of a benefit to be paid on the death of a member was \$2,000, with the minimum amount depending on the yield of an assessment of one dollar on each member. A certificate, or "Policy of Insurance," was issued to each member as follows:

\$2,000. No.....

ANCIENT ORDER OF UNITED WORKMEN.

POLICY OF INSURANCE.

This is to Certify, That Brother is a Master Workman Degree Member of Lodge, No., of, Ancient Order of United Workmen, and is, at the date of this Certificate, entitled to all its rights, privileges and benefits; and providing he is in good standing at his death, according to the rules and regulations of the Order, His Life is Insured by the Order, and on his decease the sum of Two Thousand Dollars will be paid to such person or persons as he may, whilst living, direct, as provided by the rules of the Order. And he now directs that in case of his death it shall be paid to

Given under the seal of the Lodge at this day of, 187...

..... Master Workman.
..... Recorder.

This simple document was a promise of the things which the Order wanted to do for the member. It contained a promise of benefits, but it failed to specify the restrictions. It will be noted that the first certificate was a definite promise to pay \$2,000 when, according to the Society's law, the beneficiaries were to receive a smaller sum if the membership was less than two thousand. The first sums paid were less than that amount. However, the membership increased so rapidly and the Order was so successful that the obligation for \$2,000 was fulfilled in the favor of the beneficiaries of more than a hundred thousand members and paid over \$225,-000,000. All jurisdictions of the A. O. U. W. to date have paid death benefits amounting to more than \$400,-000,000. It was not long until an improved certificate was issued and, as experience dictated, the various protective clauses were added.

The certificates issued today by fraternal benefit societies specify the amount of the benefit and the contribution rates, and that the charter, or articles of incorporation, the constitution and laws of the society, the application for membership and medical examination signed by the applicant, shall constitute the agreement between the society and the member, and a certified copy of each of these shall be delivered to the member as evidence of the terms and conditions; and any changes, additions or amendments to the charter or articles of incorporation, constitution or laws made or enacted subsequent to the issuance of the benefit certificate shall bind the member and his beneficiaries in all respects as though they were in force at the time of the application for membership. The laws give the society the power to levy extra assessments as needed to meet deficits in

the benefit fund, or to add to the reserves in order to attain solvency. The certificate is not assignable and is in force only from the time of its delivery and as long as the member pays assessments as levied and obeys the society's laws. A certificate is only a part of the contract.

Medical Examinations.—Selection of risks by a competent medical examination did not occur to the founders of the first society. Certain restrictions were specified, however, and these limited the admissions to a healthy class. Among these were that the new member must be a white male, twenty-one years of age, of good moral character, "able and competent to earn a livelihood for himself and family, and a believer in a Supreme Being, the Creator and Preserver of the Universe." By a tacit understanding among the members no person above sixty years of age could be admitted. A realization of the extra hazard on the lives of older members is shown by the adoption of an initiation fee of ten dollars for those above fifty, while those below that age were admitted for five dollars. And a man "able and competent to earn a livelihood for himself and family" was likely to be in good physical condition.

Later the insurance articles were amended to require that each member making application for the third degree should be examined by a physician "as to his physical ability, a statement of which shall be handed to the recorder, and the applicant shall bear the expense of such application," and the member was not permitted to join the benefit fund until he had received the third degree. In one of the numerous revisions of the laws made in the early years the age limit was reduced to fifty years and applicants were required to produce a

certificate from a regular practicing physician, stating that the applicant was of "sound bodily health." Numerous deaths among newly admitted members in Ohio brought the subject of medical examinations to the attention of the officers of the Supreme Lodge of the A. O. U. W. and, in 1874, a medical examiner's report, copied from a form in use by a mutual life insurance company, was adopted. From that time forward a report of a competent medical examination accompanied each application for membership and was included as a part of the contract.

Fraternal benefit societies have made good use of the medical examination, and the result has been the acquiring of a splendid class of risks. The mortality has been low, causing a reduction in the cost of insurance for the younger ages. The fact that most fraternalists come from the laboring and farming classes has contributed to the excellent mortality experience enjoyed by the societies.

Had no restrictions been placed upon the admission of new members, physically impaired persons would have rushed to join and a speedy end to fraternal protection would have followed. When the first form for a medical examiner's report was discussed in the Supreme Lodge it was opposed vigorously on the ground that the Order was drifting away from the broad humanitarian ideas of the founders. In this respect it has been well that the charitable zeal of some of the early members was tempered by the good sense of the leaders.

Collection of Assessments.—The loose method of collecting contributions for the benefit fund was one of the surprising evidences of unbusiness-like methods employed by the first lodges. Each member, upon join-

ing, paid a dollar into the fund and the money remained in the possession of the lodge. When a death occurred the grand lodge was notified. Thereupon all subordinate lodges in the jurisdiction were called upon to send the funds in their possession to the grand lodge, and the grand lodge sent the total, if not exceeding \$2,000, to the subordinate lodge of which the deceased was a member, and by it the money was paid to the beneficiaries. Whereupon, a new assessment of one dollar on each member was called, and the fund in each lodge was thereby re-established. If two deaths occurred close together the money in the fund was divided, the beneficiaries of each deceased member receiving one-half and were obliged to wait for the proceeds of another assessment for the remainder. Several faults were found in this scheme. The grand lodge officers were unable to estimate the yield of an assessment, and the exact amount to be received by the beneficiaries was unknown until all subordinate lodges had reported. In addition, some of the subordinate lodge recorders were lax in simple business methods.

The plan was improved by requiring that the grand lodge administer the insurance or benefit fund. Assessments were then made at regular intervals and the money was forwarded to the grand lodge office as soon as collected. The common practice of fraternal benefit societies today is to collect assessments monthly, payment being made by the members of the lodge secretary or collector, and this officer forwards the proceeds to the head office. It has features analogous to the plan of the industrial life insurance companies. The chief difference is that agents, selected by and working for the companies, hunt up the policyholders to make collections,

while the lodge collector is elected by the members and receives their contributions at lodge meetings or some convenient office. The expense of collecting monthly premiums by industrial companies is considerable, and the voluntary plan under which members of fraternal societies contribute their assessments is a decided factor in making fraternal insurance cheaper than the other.

Payments to Beneficiaries.—The first payment of a benefit by a society in the fraternal system was to the widow of Warren P. Lawson, who was a member of the Ancient Order of United Workmen at Jamestown, N. Y., at the time of his death in 1871. Collections on the current assessment amounted to \$265, indicating that the Grand Lodge had 265 members contributing to the insurance fund.

Only a few members died before the Order was able to pay two thousand dollars to the beneficiaries of each, as provided in the Articles of Insurance. The membership grew so rapidly that the various grand lodges and the Supreme Lodge, the latter having jurisdiction in States not organized as separate bodies, were soon paying the full benefit on each death.

Revised laws adopted by the Supreme Lodge in 1874 provided a form for a Death Report Blank to be used in reporting the death of each member and which was required to be filed at the office of the grand lodge before the debt was paid. This form provided for a statement by the subordinate lodge officers as to the standing of the deceased member at the time of his death, his age and residence, his beneficiaries and their age and residence; also personal evidence as to the identity of the deceased, a report from the physician attending at the time of death and that of the undertaker officiating at

the burial. This blank varied but little from the one in use in recent years.

Fraternal societies have ever been liberal in paying the benefits promised by their certificates. They have rarely attempted to scale or compromise the amounts due beneficiaries, and they have assisted those to whom money is due in obtaining it. An ideal of fraternalism is to give to each member his just due. No better occasion can be used by the societies to exemplify this ideal than in the treatment of the beneficiaries of a member after his death. It is then that faith in the order is put to a test. In the payment of death claims a society must fulfill expectations, not only in meeting financial obligations, but by rendering assistance in obtaining proof and in paying promptly. This is the fraternal way.

Many instances have been cited of money spent by societies to assist beneficiaries in establishing lawful and complete proof of death. Subordinate officers and members have been instrumental in sweeping away doubt. It is not the intention of fraternities to carp on technicalities. It is their purpose to give to members and their beneficiaries all that they are entitled to receive and to make it easy for them to get it.

CHAPTER VI

THE BENEFIT FUND

Under the almost universal scheme of operation of fraternal benefit societies each organization possesses a benefit fund from which death and disability claims are paid. It is hedged about with restrictions and safeguards. It is considered a sacred trust and has the solicitous care of the board of directors, which alone has power to authorize disbursements, and then only on proof properly presented. Once a contribution has been made to the benefit fund the money ceases to be regarded as the property of the society or the members ; it belongs to the widows and orphans of the future and the members who become disabled. Under the safeguards provided by fraternal operation absolute safety has been provided.

The benefit fund has been the object of discussion and legislation, and insurgent movements have resulted in societies where the contending parties could not agree on plans for its solvency. The benefit fund is the center of the hopes of members that their beneficiaries will be left a competency after death. The condition of the fund shows the status of the society—whether or not it is actuarially solvent. In the early period of fraternal development a society's benefit fund probably contained little more than enough money to pay a month's death claims ; the money was replaced each month by new assessments. But with the growing ambition of the societies to give whole life protection on level rates it became necessary to create a reserve belonging to the

benefit fund. Today a million dollars added to the benefit fund of some society is a casual incident.

The chief question for fraternalists to ask themselves is: When I die will there be enough money in the benefit fund to pay my beneficiaries? Contingent on this question is another: Will there be enough money in the benefit fund to pay the beneficiaries of all the members? In order to give a satisfactory answer the science of actuarial calculation has been developed in fraternal circles and legislation requiring adequate rates for their contributions has been adopted by State legislatures. With careless disregard of what the future has in store, a great many members have refused to give the question intelligent consideration. Their motto has been: Let well enough alone. Some prefer the temporary protection given by current cost plans; they are satisfied with the cheap protection of the present, and when the rising mortality cost increases their rates they will drop out. Sometimes they feel that if the society has paid its claims in the past, that by some ingenious method it will continue to do so in the future. They believe that if the order is commercially solvent—able to pay its obligations of to-day—that all is well. The sensible member on such a plan wants temporary protection and he expects nothing more than that for which he is paying; he knows that the cost of his insurance will increase as he grows older and his mind is prepared to meet the advance.

Considerations to be scrutinized in a study of the benefit fund are the rates of contribution paid by members, the mortality cost experienced, the ratio of actuarial solvency shown by the valuation exhibit and the measures taken to attain actuarial solvency.

The First Fund.—As already related in this work, the benefit fund under the plan of the first society consisted of a single assessment and the money remained in the hands of the subordinate lodge recorders until demanded by the grand lodge for the purpose of paying a death claim. Each death exhausted the fund, but it was renewed by another assessment. Each member, upon an assessment call being made, without distinction on account of age or length of membership, paid an equal amount—one dollar.

The method used in administering this fund is explained best by the Insurance Article adopted in 1874 by the Grand Lodge of Pennsylvania, Ancient Order of United Workmen, in which section five outlined the procedure to be followed upon the death of a member: "It shall be the duty of the subordinate lodge of which he was a member to notify officially by blank form of death notice the grand recorder of the State, who shall on the first day of the following month notify each subordinate lodge in his jurisdiction, when the insurance fund on hand in each subordinate lodge shall immediately be forwarded (the same being one dollar for each valid policy, and such sums as may have been received for policies renewed) to the grand recorder. Each subordinate lodge shall then make an assessment of one dollar for each member; written notices of assessment shall be given by the financeer of the subordinate lodge to each member holding a policy, bearing date of not later than the eighth day of each month in which the notice was issued by the grand recorder. Twenty days from date of such notice by the financeer, and not later than the 28th day of said month in which said notice of assessment was given, any member holding a policy of in-

surance having failed or neglected to pay said assessment into the insurance fund, shall forfeit his rights to said insurance."

Additional deaths in any one month were treated as follows: "Should two or more notices of assessment be received at the same time, the subordinate lodge shall immediately forward the insurance fund, as hereinbefore provided, which amount shall pay one notice. On or before the first day of the following month, it shall forward to the grand recorder one dollar for each valid policy so held at that time under its jurisdiction for each remaining notice."

This article provided that "No draft shall be made by the grand recorder on the subordinate lodges for insurance, until there is less than \$2,000 in the insurance fund of the grand lodge." The rapid increase in membership soon permitted the Order to raise more than \$2,000 on each assessment. Besides, the number of deaths reported each month fluctuated and the calling of assessments depended on the demands of mortality. Thus, when the membership reached ten thousand, each call would pay the beneficiaries of five deceased members. These were elemental plans for supplying the benefit fund and became the basis of the Order's system during the years that followed.

Relief Fund of the A. O. U. W.—As the membership was increased and more territory was covered the A. O. U. W. was divided into State jurisdictions, a grand lodge being organized in each State when the membership reached two thousand. Although the Supreme Lodge was the chief governing body and supervised the operations of the organization, each grand lodge handled a separate benefit fund "to avoid the risk attending the

accumulation of so large a sum of money as would result if all assessments were paid to the same officer, and in order that the more healthful States and communities may, as far as possible, enjoy this advantage, and those living in less favorable localities may bear their own burdens as far as practicable, separate beneficiary jurisdictions are provided."

Early in the history of the Order some of the members discussed plans for an emergency fund to be held in reserve for unexpected mortality claims, but their proposals were given scant attention. One of these was the proposal in 1877 that the Supreme Lodge raise a "reserve beneficiary fund not to exceed one million dollars, to be applied to the payment of death claims in any jurisdiction when the assessments therein exceeded twenty-five in any one year." It received no support and died in the committee to which it was referred. In 1878 the subject was again presented to the Supreme Lodge and met a similar fate.

However, the yellow fever epidemic of 1878 and 1879 taught the Order a drastic and wholesome lesson. At that time the organization was prosperous and the business was conducted in harmony. All prospects pointed to a bright future. Yet this epidemic brought financial embarrassment and an agitation that continued several years. The Mississippi valley, from Memphis to the Gulf of Mexico, was stricken. The Grand Lodge of Tennessee had been set apart as a separate jurisdiction with a few more than two thousand members. Forty-seven of its members died from the disease, entailing a liability of \$94,000. The Supreme Lodge had jurisdiction in Mississippi and Arkansas, and its total membership was slightly in excess of two thousand, while the

deaths of members from yellow fever in these numbered twenty-nine—a liability of \$58,000. To raise these sums by direct assessment on the remaining members was more than these organizations could stand; they would have fallen to pieces and the beneficiaries of the deceased would have failed to receive their benefits.

Special appeals for donations were sent to the Order-at-large. The response was generous, but the continuation of the epidemic caused a better plan to be adopted. An unofficial extra assessment on each member in the entire Order was issued by a special convention of grand officers of all the State jurisdictions. This call was not compulsory, but, to the everlasting credit of fraternity, it was paid in full.

A plan to bring the various grand lodges into a closer financial union was needed. The laws provided that, as the Order grew, separate jurisdictions could be set up by the States that attained a membership of two thousand, "with power to collect and disburse, within itself, the beneficiary fund, subject to and in accordance with the general laws, rules and regulations of the Supreme Lodge." The laws provided also that when the membership of a separate grand lodge should fall below two thousand, it should immediately come under the control of the Supreme Lodge. Therefore, upon the Supreme Lodge devolved the burden of carrying the weak divisions of the Order. The Grand Lodge of Ohio by this time had reverted to Supreme Lodge control.

The liabilities caused by the yellow fever epidemic were almost overwhelming, yet the Supreme Lodge possessed no law that would require an equitable distribution of the burden to the whole Order. In their eagerness to "avoid the risk attending the accumulation of

so large a sum of money" as would occur if the Supreme Lodge administered the insurance fund, the early leaders of the Order had deprived it of that great factor in fraternal co-operation—an equal share in the burdens of all. A centralization of the benefit fund was necessary to establish cohesion.

As a result, the Relief Fund Law was adopted by the Supreme Lodge session of 1880. It provided a fund to consist of one dollar for each member of the Order; a relief board of supreme officers to collect, manage and disburse the fund; a maximum annual rate for each State jurisdiction, and relief was to be extended by the Supreme Lodge whenever the maximum number of assessments had been collected and disbursed and there were death claims remaining unpaid. It also provided for extra assessments to replenish the fund when it was depleted, assessments to be made in the same manner as calls for the beneficiary fund, and all laws relating to suspensions applied with equal force. It further provided that a jurisdiction seeking relief was required to continue to collect its full maximum of assessments each succeeding year for a term of three years, and if a surplus existed after providing for its own death claims, it was to pay such surplus to the relief fund to the amount of the relief extended, otherwise the debt was to be cancelled at the end of the three-year period. The maximum rate as fixed in the law was based on a combination of the death rate shown by the United States census of 1870 and the mortality of the Odd Fellows.

Various changes in maximum rates and the laws governing the collection and disbursement of the relief fund were made by the Supreme Lodge in the succeeding years, but the principle remained the same. The relief

fund was in operation for more than twenty-five years and expended over thirteen million dollars in assisting State jurisdictions. It was the first reserve of the A. O. U. W. and it tided the Order over many financial shoals. It was not a mathematical reserve and it was inadequate. Had it been an adequate reserve based on a reliable table of mortality it would have carried the A. O. U. W. intact as a nation-wide organization to the present day. Because it was inadequate it failed to perform its mission when the tide of rising mortality engulfed the Order and, in consequence, dissolution came. Various State organizations withdrew and reorganized, and their plans of operation and rates were adjusted on a scientific basis. Some of the Grand lodges of the A. O. U. W. are fully 100 per cent. actuarily solvent today; their future is guaranteed because their contribution rates are adequate to meet all demands.

Benefit Funds of Other Societies.—The extended description of the finances of the A. O. U. W. in its early years given in this chapter is for the purpose of calling attention to the insecure foundation of its benefit fund in comparison with the financial plans of the societies of today. The latter will be revealed in discussing the measures taken to attain solvent operation and an enduring future. This condition at the very beginning of fraternal operation may be credited to a desire of fraternalists to avoid the plans adopted by life insurance companies. The benefit system of the societies was started partly as a protest against old-line insurance and its rapid spread throughout the country was due in part to a distrust of the companies. Life insurance managers had only themselves to blame, because they were responsible for the great scandals in

management of that period. Therefore, any plan which smacked of commercialism, as practised by the life insurance companies, was decidedly unpopular with early fraternalists. Thus, the accumulation of a large sum of money was designated an "old-line scheme," as was also the determination of scientific rates, the creation of a reserve and valuation to determine actuarial solvency. Even today some evidence of this prejudice crops out in fraternal discussion. In former years, when the fraternal system was agitated by the campaigns for adjustment of its financial operations, an objection on the ground that a proposed measure was an "old-line scheme" was nearly sufficient to condemn it from the start.

In creating the benefit funds of societies organized subsequent to the founding of the A. O. U. W. efforts were made to avoid two of the first society's weaknesses. These were the separation of the benefit fund into smaller funds according to State divisions, and the admission of all members on the same rate without regard to differences in age. Many of the orders that followed were founded by men who had been connected with the first society and they were acquainted with its early troubles.

In 1873 the Artisans' Order of Mutual Protection was organized at Washington, D. C., by Dr. J. M. Bunn, who had been the first deputy organizer for the United Workmen. The first laws of the new society were entirely the work of Dr. Bunn and in large measure followed the laws of the A. O. U. W., with the exception of eliminating the feature of separate beneficiary jurisdictions.

The Knights of Honor was organized June 30, 1873,

in the City of Louisville, Ky., by Darius Wilson, who also had obtained his fraternal experience in the Ancient Order of United Workmen. He attempted to have the first lodge adopt a scale of assessments graded according to age, but his associates desired a level assessment of one dollar on each member and that none should be admitted above the age of 44. They compromised on the one dollar assessment on ages below 44 and a graded scale for those joining between the ages of 44 and 55, the assessment at age 54 being four dollars a month. Dr. Wilson insisted on the creation of one widows' and orphans' benefit for the whole Order, without divisions for the various States.

Although the Knights of Honor later became one of the leading fraternal benefit societies of the United States, Dr. Wilson was unsuccessful in getting its leaders to adopt all his plans, and he therefore cast loose in 1877 and organized a new order. This was the Royal Arcanum, which, on account of its prosperity, its excellent class of members and its progressiveness, became one of the greatest of the societies. It was founded June 23, 1877. The first constitution and laws of the Royal Arcanum provided for the collection of a graded rate of assessment, and these were, however, only to be levied and collected to meet the death claims as they occurred. Each certificate was for three thousand dollars.

The Independent Order of Foresters was among the first of the fraternal benefit societies to make provision for a reserve fund to insure its future integrity and solvency. Its splendid financial condition of today is, however, the result of the adoption of approved methods, and its plan of operation was readjusted. The Society was organized June 1, 1874, by Dr. Oronhyetka.

These are a few of the leading societies which immediately followed the A. O. U. W., and they are cited to show that the fraternal system has been undergoing a process of improvement since its birth. Practically every new society introduced a feature that made fraternal protection better. Indeed, it was a great many years before new societies provided for the absolute safety of their benefit funds by adopting the reserve plan with assessments based on recognized tables of mortality, but nevertheless, the plans of new societies and the changes made in readjustment of old societies brought additional safeguards to the benefit fund and made it more likely that beneficiaries would receive the insurance promised them.

Measures for Safety.—Efforts of early leaders to have the societies adopt assessment rates graded according to the age of entry of members constituted but a single step in the climb towards a scientific plan of operation. It was a necessary step and salutary, because even primary students in life insurance can understand the necessity of making older people pay more than younger people for their protection. Their insurance costs more for the reason that their period of life is shorter and they die with a shorter contributing period to their credit. That was the first lesson learned by the fraternalists. It took them even longer to learn that the payment of a thousand dollars in benefits on each member requires them to have a thousand dollars at the time.

The adoption of graded rates of assessment would have been sufficient and satisfactory if they had been based on scientific principles—if they had been big enough to create reserves on the level premium plan. Or,

had they desired to carry the protection without the accumulation of considerable sums of money, they should have increased the rate of assessment each year. Under this plan the members pay the cost of insurance on the natural-premium method, based on the principle that the natural cost of insurance increases each year as the age of the insured increases. The level-premium plan has been devised to permit the member to pay a surplus of contributions in the younger years, and this creates a reserve which equalizes the deficiency in contributions in the later years. The trouble with fraternal insurance in its first forty years was that the members thought they were paying on the level-premium plan when, in reality, they were buying term insurance which expired at various ages, according to the sufficiency of their contributions. It was difficult for them to understand this until the society to which they belonged began paying out more in benefits than it was collecting in assessments. Therefore their insurance accounts became bankrupt. The natural cost of insurance at their advanced ages required an increase in contributions, and this was usually so high that the average fraternalist was unable to pay it. This explains the cause of the disappointments and bitterness in regard to fraternal insurance during the period of readjustment.

A safe benefit fund requires the observance of certain laws and principles if it is to fulfill its mission. If the protection carried is on the level-premium plan there must be a reserve based on a standard table of mortality. In the early days of fraternal operation if the members paid more than the current cost of protection the extra fund thus created was called a surplus. To the average mind, a surplus means something that is more than

necessary. Under scientific operation the members are required to pay more than the current cost and the additional amounts go into the reserve, which is calculated on very definite rules applied to the results of mortality investigations. There is no surplus until reserve requirements have been satisfied, which means that the contingent liabilities of the future have been provided for. A surplus under this condition makes a society more than 100 per cent. actuarially solvent.

Rates of contribution to the benefit fund, therefore, should be based on scientific principles. The cost of insurance is known so accurately that rates can be fixed so they will not need changing. A member who pays less than the cost of his protection may think that he is getting insurance at a bargain. So he does, if he dies before the laws of mortality wreck the society. He actually wins by dying, or rather his beneficiaries win. If he lives long enough he will discover that his cheap insurance is a cheap product, and that which he thought was whole-life protection was nothing more than term insurance.

The terms, reserve fund and benefit fund, mean nearly the same thing and are practically one. The benefit fund in one society might mean nothing more, however, than the sum set aside for beneficiary claims, and it might be insignificant as a reserve. On the other hand, the reserve fund of another society presupposes that an attempt is being made to lay aside reserves based on the mathematical requirements. Their sufficiency is determined by the valuation, which is undertaken to show the actuarial solvency of the reserve fund. If solvent, the society is collecting enough for all requirements of mortality; if insolvent, the deficit will have to be made up from the

following sources: (1) Favorable mortality; (2) interest earnings on invested funds in excess of the rate contemplated by the table of mortality; and (3) increase in the rates of assessment. If the deficiency is large, the first two items will be almost negligible in recovery, and the only avenue to progress left open is by the third. The author has not considered another factor—savings in the amount contributed for expenses—because fraternal management is now and has even been so economical, and the funds designated for expenses have been so small, that it would be useless to attempt to build up the benefit fund by paring down the expense fund.

Statutory Requirements.—Uniform laws in various States contain specific requirements in regard to the benefit fund. These statutes provide that the various funds of fraternal benefit societies shall be derived from periodical or other payments by the members of the society and accretions of such funds. The benefit fund shall be held, invested and disbursed for the use and benefit of the society, and no member or beneficiary shall have or acquire individual rights therein or become entitled to any apportionment or the surrender of any part thereof, except in the payment of benefits specified in the certificates.

The money in the fund can be invested only in securities permitted by the laws of the State for the investment of the assets of life insurance companies. The law also states that no part of the money collected for mortuary or disability purposes or the net accretions of any such funds shall be used for expenses. Officers and members of the supreme, grand or any subordinate body of a society shall not be individually liable for the payment of any disability or death benefit provided for in

the laws and agreements of such society; but the same shall be payable only out of the specified funds of the society. Furthermore the statutes declare that every fraternal benefit society organized or licensed under the Act is a charitable and benevolent institution, and all of its funds shall be exempt from all and every State, county, district, municipal and school tax, other than taxes on real estate and office equipment.

CHAPTER V

CO-OPERATIVE ORGANIZATIONS OF SOCIETIES

A leading organization in which fraternal benefit societies are represented is the National Fraternal Congress of America. It holds a convention once a year to which delegates are sent by the member fraternities, and this meeting is for the purpose of exchanging and crystalizing fraternal thought, adopting policies for the good of the system and directing legislative activities. About a hundred societies are affiliated in the Congress. Their combined membership is close to six million and the certificates carried represent insurance in force of about \$7,000,000,000.

This organization represented the fraternal system, and its expressions voiced the thought and desires of fraternalism in the United States and Canada. It was organized August 21, 1913, at Chicago, Ill., by a consolidation of the old National Fraternal Congress and the Associated Fraternities of America. These were the two leading organizations in the field at that time.

A true history of the National Fraternal Congress of America and the two bodies from which it sprang should be a recital of the efforts of those who hoped to see the fraternal benefit system become permanent, and it should be a record of the accomplishments of those who believed that, so long as the societies provide life protection, it should be on a scientific plan. A history is always a presentation of views because the activities of mankind are subject to different interpretations, and the dif-

ferences in belief within the fraternal system are still the basis of partisanship. Chronology supplies the facts which cannot be controverted, and a chronology of the Congress relating to dates and men is of great interest in view of the measures advocated during the different administrations. This reminds us of what Holmes said: "If history without chronology is dark and confused, chronology without history is dry and insipid."

A complete history of the Congress would be too voluminous an undertaking to present here, but it may truthfully be said that without the influence of the National Fraternal Congress of America the fraternal benefit system today would not possess the chief elements of strength that guarantee the permanency of the societies. If fraternal insurance had continued to be written on the plan on which it started we would already have seen its end. This organization has taken hold of the system and made it what it is. And what is it? The fraternal benefit system is an agency for providing life insurance protection through its various societies for more than eight million people whose chief desire is to protect their dependents on a safe and economical basis. It is economical because it is co-operative; there is no profit-taking; and the officers work for moderate salaries. It is safe because sound methods of operation and adequate rates have been adopted. And it has a militant influence as a humanitarian agency because fraternity is combined with business.

This portion of this work can be little more than a chronology because the greatest accomplishments of the Congress have been made in the legislative halls of the country, and legislation is treated in another chapter. The almost uniform laws on the statute books of the

various States and Provinces were put there by the co-operative endeavors of fraternal leaders. These laws have reformed fraternal operation in the United States and Canada, and their evolution and improvement deserve a careful description. It is to the everlasting credit of the leaders of fraternal societies that they carried through plans of their own devising for reconstructing the fraternal system, and the work was done at the direction of the various organizations which were finally brought to a common home in the National Fraternal Congress of America.

National Fraternal Congress.—In June, 1886, the Supreme Lodge of the Ancient Order of United Workmen adopted a resolution providing for a committee to take such action as would bring about a meeting of representatives of fraternal benefit societies for the purpose of establishing a permanent organization. The committee was composed of A. L. Levi, Minneapolis, Minn.; O. F. Berry, Carthage, Ill.; Warren Totten, Woodstock, Ont.; and Leroy Andrus, Buffalo, N. Y. On September 1, 1886, the call for such a meeting was issued by Leroy Andrus, chairman of the committee, and on November 16, 1886, the representatives of various societies of the United States and Canada met in the Riggs House, in the City of Washington, D. C. A permanent organization was effected.

Therefore, the birth of the National Fraternal Congress occurred eighteen years after the beginning of fraternal protection. Sixteen societies were represented, and these had a membership of 535,000 carrying insurance protection of about \$1,200,000,000. The societies and their representatives were as follows:

Ancient Order of United Workmen: Leroy Andrus,

Buffalo, N. Y.; Warren Totten, Woodstock, Ont.; A. L. Levi, Minneapolis, Minn.; and A. L. Berry, Carthage, Ill.

Knights of Honor: W. H. Barnes, San Francisco, Calif.

United Order of Honor: A. W. Wishard, Indianapolis, Ind.

Order United American Mechanics: C. H. Stein, Baltimore, Md.

Order United Friends: O. M. Shedd, Poughkeepsie, N. Y.

Empire Order of Mutual Aid: J. H. Meech, Buffalo, N. Y.

Select Knights, Ancient Order of United Workmen: Richmond C. Hill, Buffalo, N. Y.

Endowment Rank Knights of Pythias: Halvor Nelson, Washington, D. C.

Equitable Aid Union: R. N. Seaver, Columbus, Pa.

Knights of the Maccabees: N. S. Boynton, Port Huron, Mich.

Royal Arcanum: A. C. Trippe, Baltimore, Md., and J. Haskell Butler, Boston, Mass.

Knights of Columbus: C. P. Kriezer, New York City.

Knights of the Golden Rule: J. D. Irving, Toledo, Ohio.

United Order of the Golden Cross: A. M. McBath, Washington, D. C.

Royal Templars of Temperance: C. K. Porter, Buffalo, N. Y.

Home Circle: J. H. Butler, Boston, Mass.

The chief results of the first meeting was a declaration of its purposes, prescribing the requisites for eligibility to membership, election of officers and the appointment

of several committees for special lines of work. The first officers of the National Fraternal Congress were as follows:

President: Leroy Andrus, Ancient Order of United Workmen.

First Vice-President: A. H. Barnes, Knights of Honor.

Second Vice-President: John Haskell Butler, Royal Arcanum.

Recording Secretary: Richmond C. Hill, Select Knights, A. O. U. W.

Corresponding Secretary: O. M. Shedd, Order United Friends.

Treasurer: Halvor Nelson, Endowment Rank Knights of Pythias.

The first regular annual convention of the National Fraternal Congress was held November 15, 1887, at the hall of the Order of United Friends, in Philadelphia. At this meeting the Congress drew up a careful description of the class of organizations which were entitled to be called fraternal benefit societies and, therefore, eligible for membership in the Congress. The reason for this declaration was stated in a resolution, as follows: "There are a large number of associations, under various names, presenting to the public propositions of various characters, that have arisen since, and are meeting with favorable reception because of the success of the standard legitimate fraternal benefit orders, and while it is not the province of this Congress to either reflect upon or endeavor to retard the growth or prosperity of any organization, yet we deem it a duty to ourselves and the public to define what in our judgment is a fraternal society, and to be recognized as such."

The declaration that followed served as a standard by

which fraternal benefit societies and their eligibility for membership in the Congress was measured for many years. It was incorporated in the Constitution and Laws, and was as follows: "Resolved, That a Fraternal Society is an organization working under ritual, holding regular lodge or similar meetings, where the underlying principles are visitation of sick, relief of distress, burial of dead, protection of widows and orphans, education of the orphan, payment of the benefit for temporary or permanent physical disability or death, and where these principles are an obligated duty of all members to be discharged without compensation or pecuniary reward, where the general membership attends to the general business of the order, where a fraternal interest in the welfare of each other is a duty taught, recognized and practised as the motive and bond of the organization."

It was further declared that any association, "however worthy in business point of view, not possessing the characteristics above mentioned," could not legitimately be termed a fraternal society or order.

The greatest result that has been attained by the National Fraternal Congress was the solidifying of fraternal opinion and using it as an influence to correct the plan of operation from within and to educate the public in regard to the correct principles of fraternal benefits. It also used this influence to obtain sympathetic supervision by State insurance departments and constructive legislation from State legislatures and Congress of the United States.

The landmarks of fraternal accomplishment, which should be credited wholly or in part to the Congress, may be summarized briefly. They are concerned mainly with legislation and will be described with greater detail in

another chapter. At first the leading spirits in the Congress were opposed to supervision by any State authority, and especially by the departments which had jurisdiction over the business of insurance. They were also opposed to statutory restrictions. But various inimical impositions and restrictions were imposed by a few State insurance commissioners who favored the commercial life insurance companies, and several State legislatures adopted statutes of a nature that made it necessary for the fraternalists to exert their influence to secure their repeal. The societies soon learned their voting strength and the tremendous political influence which accompanied it. They discovered that it was easy to oppose harmful bills in the legislatures, as well as to make insurance commissioners listen to their requests, with the result that ever since their first activity in this field very few laws opposed to their interests have been adopted. Then it was discovered that the legitimate fraternal benefit societies needed protection from the odium raised by various fraudulent organizations posing as fraternal orders, and the National Fraternal Congress applied for and obtained laws defining their scope of operations.

In 1891 the Congress authorized a special committee to draft a Uniform Bill, and the measure prepared by this committee has been the model from which others have been written. In 1892 the Congress gave unanimous consent to have such a Uniform Bill edited by a special committee of five and appointed President M. G. Jeffries a special representative to present it for approval to the National Convention of Insurance Commissioners.

In 1893 it adopted unanimously a recommendation to secure the enactment of the Uniform Bill in States having no laws relating to fraternal societies.

In 1897 the National Fraternal Congress authorized the compilation of the National Fraternal Congress Table of Mortality, and it was adopted August 23, 1899.

The Mobile Bill was constructed and approved with the National Fraternal Congress acting in conjunction with the Associated Fraternities of America and the National Convention of Insurance Commissioners at Mobile, Ala., September 28, 1910. This was amended December 4, 1912, at a conference held in New York City by representatives of the following organizations: National Fraternal Congress, Associated Fraternities of America, Federated Fraternities, and the National Convention of Insurance Commissioners. The amended measure was named the New York Conference Bill and is today the fraternal law of the land.

Annual conventions of the National Fraternal Congress have been held as given below. In each paragraph is given the year, the days on which the sessions were held, the convention city, and the man elected president, and his address. The presiding officer at each annual convention was the president elected the preceding year.

1886—November 16; Washington, D. C.; Leroy Andrus, Buffalo, N. Y.

1887—November 15; Philadelphia, Pa.; John Haskell Butler, Boston, Mass.

1888—November 20-21; New York City; John Haskell Butler, Boston, Mass.

1889—November 12-13; Boston, Mass.; D. H. Shields, Hannibal, Mo.

1890—November 11-12; Pittsburg, Pa.; A. R. Savage, Auburn, Me.

1891—November 10-12; Washington, D. C.; Adam Warnock, Boston, Mass.

1892—November 15-17; Washington, D. C.; M. G. Jeffries, Janesville, Wis.

1893—November 15-18; Cincinnati, Ohio; N. S. Boynton, Port Huron, Mich.

1894—November 20-22; Buffalo, N. Y.; S. A. Will, Pittsburgh, Pa.

1895—November 19-21; Toronto, Ont.; W. R. Spooner, New York City.

1896—November 17-19; Louisville, Ky.; J. G. Johnson, Peabody, Kas.

1897—October 5-7; Port Huron, Mich.; J. E. Shepard, Lawrence, Mass.

1898—November 15-18; Baltimore, Md.; D. E. Stevens, Philadelphia, Pa.

1899—August 22-25; Chicago, Ill.; Dr. Oronhyatekha, Toronto, Ont.

1900—August 28-31; Boston, Mass.; Charles E. Bonnell, Chicago, Ill.

1901—August 27-30; Detroit, Mich.; H. A. Warner, M. D., Topeka, Kas.

1902—August 26-28; Denver, Colo.; J. A. Langfitt, Pittsburgh, Pa.

1903—August 26-28; Milwaukee, Wis.; E. O. Wood, Flint, Mich.

1904—September 27-30; St. Louis, Mo.; F. A. Falkenburg, Denver, Colo.

1905—August 23-25; Mackinac Island, Mich.; A. R. Talbot, Lincoln, Neb.

1906—August 15-17; Montreal, P. Q.; D. D. Aitken, Flint, Mich.

1907—August 21-23; Buffalo, N. Y.; A. L. Hereford, Springfield, Ill.

1908—August 17-20; Put-in-Bay, Ohio; C. E. Piper, Chicago, Ill.

1909—August 16–19; Boston, Mass.; Thos. H. Cannon, Chicago, Ill.

1910—August 15–19; Detroit, Mich.; John J. Hynes, Buffalo, N. Y.

1911—July 24–26; Cambridge Springs, Pa.; D. P. Markey, Detroit, Mich.

1912—August 28–29; Mackinac Island, Mich.; J. D. Clark, Dayton, Ohio.

1913—August 18–21; Chicago, Ill.; consolidated with the Associated Fraternities of America.

Secretaries of the National Fraternal Congress have been as follows: Richmond C. Hill, Buffalo, N. Y., Recording Secretary, 1886–87; O. M. Shedd, Poughkeepsie, N. Y., Corresponding Secretary, 1886–87, Recording and Corresponding Secretary, 1887–88; Corresponding Secretary, 1888–89, Secretary, 1890–91, Secretary-Treasurer, 1891–94. Samuel Nelson, Buffalo, N. Y., Recording Secretary, 1888–89. M. W. Sackett, Meadville, Pa., Secretary-Treasurer, 1894–1906. C. A. Gower, Lansing, Mich., Secretary-Treasurer, 1906–1913.

Associated Fraternities of America.—On March 21, 1901, a meeting of fraternalists was held in Chicago for the purpose of organizing the Associated Fraternities of America. Leading spirits in the organization came from societies domiciled in Iowa. This was a movement in protest against the legislative policy of the National Fraternal Congress. The societies represented at the founding were from among the younger organizations, and their leaders believed that the principles of adequacy should be applied to all fraternities alike.

The causes that led to the birth of the new organization should be given a brief review. In 1893 the National Fraternal Congress recommended that its Uniform

Bill be enacted by the legislatures of States having no laws relating to fraternal societies, and the general trend of its legislative activities was to obtain uniformity of laws in all States. In 1899 it adopted the National Fraternal Congress Table of Mortality. At the annual convention of 1900 in Boston a resolution was passed which recommended "to the law-making power of all States and Provinces in the enactment of laws that will require all fraternal benefit societies thereafter organized and not theretofore admitted to do business therein, to adopt rates not lower than is demonstrated to be necessary by the following mortality table (N. F. C. Table), adopted by this Congress at its last meeting."

Leaders of the movement to organize the Associated Fraternities of America declared that this placed the societies in the N. F. C. in the position of demanding that new societies and societies which were extending their field of operations be required to adopt high rates while the result was old orders were permitted to continue on their low rates. They contended that if the adequate rates advocated by the National Fraternal Congress were necessary they should be applied to all. The bill sponsored by the N. F. C. was termed by them the "Force Bill" because its purpose was to force certain societies to operate on high rates, thus putting them at a disadvantage in competition with the old societies for new business.

The meeting in Chicago made the arrangements for the first annual convention of the Associated Fraternities of America, which was held in July, 1901, at Cambridge Springs, Pa. The following societies were represented: Ancient Order of Gleaners, Ancient Order of Red Cross, American Catholic Union, Brotherhood of American

Yeomen, Bankers' Fraternal Union, Daughters of Columbia, Fraternal Brotherhood of the World, Fraternal Bankers' Reserve, Fraternal Army of America, Fraternal Tribunes, Grand Fraternity, Highland Nobles, Home Guards of America, Knights of Kadosh, Knights and Ladies of Columbia, Loyal Mystic Legion of America, Mystic Workers, Mutual Protective League, Mystic Toilers, Modern Tontines, Modern Brotherhood of America, Modern Order of Praetorians, Missouri Fraternal Congress, National Protective League, Order of Americus, Order of Washington, Royal Circle, Royal Fraternal Union, Sons and Daughters of Justice, Societe des Artisans, The Chevaliers, The Fraternal Censor, United Moderns, Utopian Brotherhood of America.

A Declaration of Principles was adopted in which the reasons for organizing the Associated Fraternities of America were given as follows: "We hereby declare our uncompromising opposition to any and all legislation which would tend to restrict the rights of the membership of our society to self-government, and denounce as unwise, unfair and against public policy any statutory enactments for government and control of fraternal associations which do not apply expressly to all societies with equal force and effect.

"We further declare that we believe all societies should charge adequate mortality rates for their promised benefits, and while we disclaim any attempt to curtail the rights of the membership of any association to organize their beneficiary department in such form and conduct the same in such manner as to them shall seem most conducive to their happiness and welfare, we courteously and earnestly recommend that each association study its own system and experience to the end that the association

will be able to collect from its contributions sufficient to insure safety and permanency."

Annual conventions of the Associated Fraternities of America have been held as given below. In each paragraph is given the year, the days on which sessions were held, the convention city, and the man elected president and his address. The presiding officer at each annual convention was the president elected the preceding year.

1901—July 16-17; Cambridge Springs, Pa.; C. H. Robinson, Chicago, Ill.

1902—September 9-10; Chicago, Ill.; C. H. Robinson, Chicago, Ill.

1903—August 4-6; Montreal, P. Q.; Lee W. Squier, Philadelphia, Pa.

1904—September 20-24; St. Louis, Mo.; W. R. Eidson, Alamogordo, N. M.

1905—August 29-31; Milwaukee, Wis.; Geo. R. McKay, Cleveland, Ohio.

1906—August 21-23; Detroit, Mich.; Edmund Jackson, Fulton, Ill.

1907—August 20-22; Buffalo, N. Y.; T. B. Hanley, Des Moines, Iowa.

1908—August 25-27; Chicago, Ill.; J. C. Root, Omaha, Neb.

1909—September 20-23; Omaha, Neb.; W. E. Davy, Des Moines, Iowa.

1910—August 22-25; Atlantic City, N. J.; E. W. Donovan, Detroit, Mich.

1911—August 21-24; Niagara Falls, N. Y.; A. R. Talbot, Lincoln, Neb.

1912—August 19-22; St. Paul, Minn.; W. A. Fraser, Omaha, Neb.

1913—August 18-21; Chicago, Ill.; consolidated with the National Fraternal Congress.

Secretaries of the Associated Fraternities of America were as follows: Edmund Jackson, 1901-05; C. H. Robinson, 1905-11; E. W. Donovan, 1911-13.

For ten years there was contention between the National Fraternal Congress and the Associated Fraternities of America in regard to legislation demanded in the various States. When the committee of one appeared at a legislative committee hearing in support of its measures it was almost certain to be opposed by the other. They worked at cross purposes and, as a result, it was difficult for legislators and insurance commissioners to determine the true fraternal sentiment of the land. Each organization had a conference committee, and it was through the joint meetings of these that agreement was reached on minor matters. However, the Uniform Bill of the National Fraternal Congress was opposed with consistent regularity by the A. F. A., and the legislation in regard to reserve funds and surrender values supported by the latter was opposed by the N. F. C.

Finally the two organizations met in thought and action in 1910 and approved the Mobile Bill. Following this came their joint action in respect to the New York Conference amendments in 1912. They were united in purpose. Why should they not act together as one great representative body of American fraternalists? This was the question that the leaders asked themselves and each other, with the result that the annual conventions of the National Fraternal Congress and the Associated Fraternities of America were held in Chicago on the same day in 1913 and a consolidation effected. The new organization was named the National Fraternal Congress of America. It provided a conference organization for all societies.

National Fraternal Congress of America.—On August 21, 1913, in the City of Chicago, with Herman L. Ekern, Insurance Commissioner of the State of Wisconsin, presiding, a joint meeting of the National Fraternal Congress and the Associated Fraternities of America was held for the purpose of effecting a consolidation. The meeting was successful in accomplishing its purpose, with the result that the National Fraternal Congress of America was founded and organized, with officers selected from both of the old bodies. W. H. Powers was elected President; J. F. Taake, Vice-President; and the Executive Committee elected W. E. Futch to the office of Secretary.

The National Fraternal Congress of America became the most complete organization for accomplishing its aims that the fraternal benefit system had ever possessed. It spoke for organized fraternalism in America, and its representatives before legislative committees and State insurance departments received courteous and respectful attention from legislators and supervising officials. Congress of the United States today is careful not to take action on any subject affecting the societies until the representatives of the fraternal system have had a hearing.

A convention is held each year for the purpose of discussing and taking action on the various questions affecting fraternal operation, and are concerned chiefly with legislation to put the fraternal system on a sound and enduring basis. At these conventions the various committees render their reports. Also are held the annual meetings of the sections of the Congress. These are auxiliary organizations composed of the presidents, secretaries, medical directors, attorneys and editors of the

various member societies. Their meetings are devoted to questions which are distinctly within the province of the officers composing the section. For instance, the presidents discuss management of the societies and field work; the secretaries, problems of administering the business of the home office; the medical directors, phases of medical examinations which accompany applications for insurance; the lawyers, legal questions made important and timely by current decisions of the courts; and the editors talk over the problems concerned with the editing and publishing of the official journals. The Press Section of the N. F. C. of A. is known as the National Fraternal Press Association.

The desires of the Congress in reference to statutory legislation is made known to insurance commissioners and legislators through the Committee on Statutory Legislation, which is directed by the Executive Committee. Throughout the history of the N. F. C. and the A. F. A., as well as the Congress of today, this committee has spoken for millions of members who carry certificates in fraternal benefit societies in respect to the statutes that affect their protection. Credit should be given to Charles E. Piper, of Chicago, who was chairman of this committee during the years when the constructive laws of today were being evolved. His was a mighty responsibility, and he was often subjected to abuse in the violent contentions of that time, but he carried through the measures with honor. The fraternal system owes him a great debt of gratitude.

The Modern Woodmen of America, the largest society, has been a member of the Congress at intervals, but whether in or out, it has maintained a legislative bureau that has also been influential in legislative halls. John

Sullivan, Kansas City, Mo., is chairman of the M. W. A. Committee of Legislation, and he has directed with ability the organized voice of Modern Woodmen members, more than a million at this writing. To Mr. Sullivan belongs a share of the credit for looking after the interests of all fraternalists when and where legislation is concerned. He is also chairman of the legislative committee of the American Fraternal Congress.

During the five years of its history the chief accomplishment of the National Fraternal Congress of America has been to preserve the gains in legislation which it inherited with the consolidation in 1913. These are combined in the New York Conference Bill. This measure has been defended against efforts to weaken its provisions, or attempts by enemies of the system to bring about in a fell swoop the improvements which must develop through time. The N. F. C. of A. has determined that the New York Conference Bill shall be the fraternal law of the land, and it has been diligent, through its Committee on Statutory Legislation, in having it enacted in additional States and securing its adoption in place of the Mobile Bill in others.

The National Fraternal Congress of America has also endorsed child insurance for fraternal benefit societies and has included this in a campaign for Whole Family Protection. Its model bill to give permission to fraternal societies to write juvenile insurance was endorsed in 1916 by the National Convention of Insurance Commissioners and has obtained general adoption by State legislatures.

Other accomplishments by the Congress include a splendid celebration of the fiftieth anniversary of the founding of the fraternal system, which was held in

Independence Square, Philadelphia, in August, 1918; and a successful opposition to social insurance and other State socialistic measures which are foreign to American ideals. The Congress has ever upheld the true ideals of life insurance protection, and for this reason it has prevented the absorption of fraternal societies by commercial life insurance companies and the spread of group insurance by the latter. During the participation of the United States in the world war the National Fraternal Congress of America was in the forefront of the patriotic van. It endorsed the government measure for soldiers' and sailors' insurance when the bill was pending in Congress and needed support. It recommended extra assessments by the societies for the purpose of keeping the protection of soldiers and sailors in full force and effect. It organized War Savings Societies in the subordinate lodges of the affiliating societies, and it recommended to the member societies that all their funds available for investment during the war be subscribed to the government loan issues. Its support of the Red Cross, Y. M. C. A., Knights of Columbus and kindred organizations was sincere and effective.

Annual conventions of the National Fraternal Congress of America, with the time and place, and the president elected and his address, have been as follows:

1913—August 21; Chicago, Ill.; W. H. Powers, Boston, Mass.

1914—August 18-20; Niagara Falls, N. Y.; J. F. Taake, Des Moines, Iowa.

1915—August 23-27; Minneapolis, Minn.; Geo. W. Miller, Chicago, Ill.

1916—August 21-25; Cleveland, Ohio; I. I. Boak, Denver, Colo.

1917—August 21-23; Chicago, Ill.; R. H. Gerard, Crawfordsville, Ind.

1918—August 27-29; Philadelphia, Pa.; A. C. McLean, Sharon, Pa.

Federated Fraternities.—One of the organizations subscribing to the agreement that resulted in the New York Conference Bill was the Federated Fraternities. It was organized in March, 1909, at Harrisburg, Pa. It was opposed to the legislative movements of that time, and said: "We are convinced that an optimistic policy should be adopted and the societies given an opportunity to work out their own destinies without undue interference and unfriendly outside influence." Meetings were held for several years and the last was in 1916.

American Fraternal Congress.—At a meeting held in Chicago, February 22, 1919, the American Fraternal Congress was organized by leaders of some of the largest societies. A preliminary organization had been effected in New York City the previous December, but the Chicago meeting is understood to be the beginning of the Congress. The officers elected were: President, A. R. Talbot, Head Consul of the Modern Woodmen of America; Past President, John J. Lentz, National President of the American Insurance Union; Vice-President, W. A. Fraser, Sovereign Commander of the Woodmen of the World; Secretary, John H. Notley, Supreme Master of the Mystic Workers of the World; Chairman of the Committee on Statutory Legislation, John Sullivan, of the Modern Woodmen of America.

The societies represented at the organization meeting had a combined membership of about four million. These were: American Insurance Union, Brotherhood of American Yeomen, Fraternal Aid Union, Modern Wood-

men of America, Mystic Workers of the World, North American Union, Royal Neighbors of America, Woodmen Circle, and Sovereign Camp Woodmen of the World.

In a statement by Secretary John H. Notley the immediate object of the American Fraternal Congress was declared to be to register its approval of the provisions regulating mergers of fraternal societies on the statutes of nearly forty States, also the New York Conference Bill and such other legislation as had been mutually agreed upon between the societies and the National Convention of Insurance Commissioners, and to work against other legislation which might hamper the operation of fraternal organizations.

At a special meeting of the Congress in St. Louis, April 15, 1919, a constitution was adopted. It also passed a resolution in which it affirmed its support of measures which had been agreed upon between fraternalists and insurance commissioners in their national organizations and urged its legislative representatives to support for enactment the New York Conference Bill in all States where it had not been adopted.

Canadian Fraternal Association.—This organization has had a long and honorable career. It was founded September 16, 1891, for the purpose of uniting legitimate fraternal benefit societies "for purposes of mutual information, benefit and protection." It is composed of Canadian societies and those of the United States which operate in the Dominion, and each society is entitled to be represented by its executive head, chief medical examiner, chief secretary and chief organizer in Canada, with further representation based on the number of members in that country.

The societies of Canada and the United States have

always been closely drawn together by fraternal ties. The chief officers of many societies on either side of the boundary line have belonged to both the Canadian Fraternal Association and similar organizations in the United States. They have demonstrated that brotherly love can and does extend beyond the boundaries of nations and that fraternity creates a better understanding between peoples and governments. The fact that a boundary line of more than three thousand miles separates these countries without the menace of a gun on either side is the marvel of the world. Such a condition in Europe would be unthinkable. But the people of Canada and the United States accept it as a matter of course. They believe in living in peace and understanding, and the fraternal relations between the societies of these countries has without a doubt contributed largely to the good feeling. It gives us hope that the future peace and happiness of the world will be grounded in fraternity. Leagues of nations or alliances will be of no avail until peoples learn to understand each other. There will be no republic of the world until fraternity leads the way.

The first regular meeting of the Canadian Fraternal Association was held in Toronto, Ont., November 19, 1891, and Toronto was the convention city each year thereafter until April, 1917, when the meeting was held in Montreal, P. Q. In 1918 the convention city was Hamilton, Ont., and Ottawa in 1919.

Officers elected in 1891 were as follows: President, Dr. Oronhyatekha, Toronto, Ont.; Vice-president, John Milne, Essex, Ont.; Secretary-Treasurer, J. B. King, St. Catharines, Ont.; Counsellor, John R. Miller, Toronto, Ont.; Medical Examiner, Dr. B. E. McKenzie, Toronto, Ont.

Dr. Oronhyatekha, the great leader of the Independent Order of Foresters, presided at the annual meetings of the Canadian Fraternal Association in 1891 and 1892, and those who succeeded him in the years that followed were among the leaders of Canadian fraternalism—names representative of the progress which the Dominion societies have made. Up to 1919 the presidents of the Association and the years in which they were elected were as follows: D. F. MacWatt, Barrie, Ont., 1893; Dr. J. S. King, Toronto, Ont., 1894; F. G. Inwood, Toronto, Ont., 1895; Col. D. M. Robertson, Toronto, Ont., 1896; Capt. Thos. Donnelly, Kingston, Ont., 1897; Lyman Lee, Hamilton, Ont., 1898; Major H. J. Snelgrove, Cobourg, Ont., 1899; Dr. A. E. Mallory, Colborne, Ont., 1900; Dr. J. M. Cotton, Toronto, Ont., 1901; John S. Dench, Toronto, Ont., 1902; W. J. McCammon, Belleville, Ont., 1903; J. A. Patterson, K. C., Toronto, Ont., 1904; C. V. Emory, Hamilton, Ont., 1905; C. A. Lapp, Brighton, Ont., 1906; Dr. Thos. Millman, Toronto, Ont., 1907; E. T. Essery, LL.B., K. C., London, Ont., 1908; Alex. Fraser, M.A., Toronto, Ont., 1909; D. E. Ryan, Kingston, Ont., 1910; John Donogh, Toronto, Ont., 1911; John Aldridge, Toronto, Ont., 1912; Dr. J. H. Bell, Hamilton, Ont., 1913; Dr. John Ferguson, Toronto, Ont., 1914; Dr. W. S. Harrison, Toronto, Ont., 1915; Henri Roy, Montreal, P. Q., 1916; Rev. T. S. Boyle, D.D., Windsor, N. S., 1917; W. C. Mikel, K. C., Belleville, Ont., 1918; J. B. McKillop, London, Ont., 1919.

The office of Secretary-Treasurer was held from 1892 to 1897 by B. J. Leubsdorf, of St. Catharines, Ont. From 1898 to the present time Wm. F. Montague, of Hamilton, Ont., has been Secretary-Treasurer, having rounded out a service of more than twenty years.

CHAPTER VI

NATIONAL FRATERNAL CONGRESS TABLE OF MORTALITY

A mortality table is a tabulated statement showing the number of deaths that may be expected to take place during a given period among a certain number of persons of stated ages. Tables of this kind are used chiefly in computing premiums and reserves for life insurance and annuities. When based upon a sufficiently large number of observations there is but a small variation between their results and the actual mortality experienced.

The whole science of life insurance is based on the probabilities of dying. We all know that human beings are expected to die and that rarely does anybody live more than a hundred years. We also know that the possibility of death is ever present and that many persons die in youth, in the prime of life and in old-age. It is impossible to foretell when a single individual will die. It is impossible to foretell when certain individuals in a group will die. But observation of large groups of people has established the fact that a certain number will die in various years. This is the law of mortality. The records of a group, say of one hundred thousand persons, under the effects of this law constitute a table of mortality. Such a table becomes the guide by which a life-insuring organization may expect deaths among its policyholders. Since mortality is subject to a power above human interference and control, the law of mortality endures throughout the ages and those who would ignore it must take the consequences of their folly.

The fact that mortality follows a regular course was suspected in early times, but the first complete table of actual mortality experience was not published until 1692. It was compiled by Edmund Halley, the British Astronomer-Royal, from the statistics of the town of Breslau, in Silesia.

Some of the first mortality tables have been tested by comparison with actual experience and have been found to vary widely from the actual results. This does not indicate drastic changes in the law of mortality caused by the passage of time, as one might suppose, but it means that the tables were not accurate. The accuracy of a table of mortality depends upon the diligence of the compiler in obtaining true statistics, and, if it is to be applied to lives under certain conditions, it should have been compiled from observations of lives under the same conditions. The most characteristic illustration of this point is the fact that most life insurance companies for years have experienced an actual mortality more favorable than that expected because their insured lives have been selected under rigid medical examinations, while the lives under observation for their tables were not so carefully selected.

Thus, the Northampton Table is an interesting example of erroneous construction. It was published in 1783 and was compiled by Dr. Price from statistics of the deaths and baptisms in two parishes in the town of Northampton, England, from 1735 to 1780. He found that the number of deaths exceeded the baptisms and therefore assumed that the additional deaths were caused by immigration into Northampton at the age of 20. His assumption was inaccurate, however, because there were many Baptists in the town and their children did not

appear on the records of christenings, and Dr. Price failed to include all the births. The record of deaths was complete, and therefore, the baptisms should not have been used with the deaths. He should have obtained an accurate record of births. When the Northampton Table was adopted by life assurance companies they earned large profits. On the other hand, annuity companies using this table suffered severely because their annuitants lived longer than the table indicated.

Sources of Mortality Observations.—The two chief sources for obtaining information upon which a safe mortality table can be compiled is (1) population statistics, including registrations of births and deaths, and (2) statistics of life insurance companies and fraternal benefit societies.

We may safely say that no positively accurate table of mortality for the general population has ever been compiled. This is due to the fact that the sources of information are limited. Even with a careful record of vital statistics in a specified area over a long term of years the results will be inaccurate because people will misstate their ages, and because it is impossible to trace lives throughout their history. Such factors as immigration will have an effect; in an old community the young will remove to new lands, leaving the aged, and in a pioneer settlement the population will be composed chiefly of the young and virile. And the information available from the records of life insurance companies will include only those who have been selected by medical examinations.

Therefore, in judging a mortality table for the purposes for which it is to be used we should know something of the sources from which it was compiled. Lives

which are fresh from the medical examination are called select lives, and a mortality table based on their subsequent history is called a Select Table. It is assumed that the lives will change after the medical examination and the favorable effects will ultimately disappear; therefore, a mortality table based on lives insured five or more years is called an Ultimate Table.

American Experience Table.—The standard table in use among life insurance companies in the United States is the American Experience Table of Mortality. It is an ultimate table. It was constructed in 1861 by Sheppard Homans and was first published under its present name in a schedule attached to an Act passed by the Legislature of the State of New York on May 6, 1868. Full particulars of the data employed have never been given, but it is understood that the compiler used statistics deduced from the experience of the Mutual Life Insurance Company of New York, which began to write insurance in 1843. These figures were inadequate at the older ages and accordingly he arbitrarily adjusted the table with other data.

The American Experience Table begins with 100,000 persons at age ten and fixes the limit of life at ninety-six years—the age at which the last three of the original 100,000 are assumed to die. It is the most popular table in this country for legal reserve companies, which use it as originally compiled or as a basis with graduations for their premiums and reserves. It is the usual standard of valuation. When several fraternal societies changed their plans of operation to the reserve basis they adopted the American Experience Table. It is eminently safe. For a long period of years up to 1918 the actual mortality experience of leading life insurance com-

panies was less than 69 per cent. of the expected. The expected was based on this table.

A Mortality Table for Fraternal Societies.—In the early years of fraternal operation the rates of contribution were based on the demands of current mortality. As time went on and the members became older and the death rate increased the societies became aware of the fact that their assessment rates could not remain level. Accordingly, when the National Fraternal Congress met in 1895, the Committee on Statistics and Good of the Orders, of which J. E. Shepard was chairman, submitted a special report, which contained conclusions based on special data obtained from the societies. The Committee was led to the conclusion that "barring merely the inceptive period of an order, when conditions more or less abnormal prevail, that there exists a gradual and very general increase in the mortuary rate wholly due to the increasing average of age, or in other words, the greater maturity of lives."

The Committee of 1895 said also: "We believe that the existing fraternal orders can be perpetuated provided they heed the lesson and the warning that the experience of the past so plainly gives and teaches. * * * It is indispensable to recognize the Law of Mortality as the governing factor. * * * The rate fixed for life at the age of entry is common to nearly all the fraternal orders. Our experience demonstrates that it is faulty in theory, unsound in practice and should be remedied, and this can be accomplished by increasing the rate with increasing age or by so adjusting the rates as to establish a fund that shall equalize the cost throughout life, or, in other words, establish a Reserve. If with our experience we should institute a new fraternal order

at the present time, one or the other of these, the law permitting, perhaps more or less modified, but in substance the same, would probably be adopted. In the proposition advanced the elements of 'Safety' and 'Equity' are separated, and first to be considered is the element of 'Safety.' Loading the rate at age of entry to minimize the cost of advancing years is the old-line plan of the reserve. The establishment of such a fund has, until within a year or two, been generally condemned by the fraternal orders, not for the reason that it is not of itself good, but that it has been improperly administered and made a means of gravest abuse. Properly adjusted to our requirements, it would make protection certain, work wrong to no man and be in the direct line of safety. Any table based on this plan must be accurately worked out and grounded on the condition of a fixed annual amount payable by installment, of which a certain per cent., with its increment of interest, will form a reserve fund. This reserve can very safely be largely reduced from the reserve based on the standard tables."

This suggestion evidently had some effect on those who, in the years immediately following, labored for the compilation of a mortality table for the use of fraternal benefit societies. It is needless to say that the above recommendations were revolutionary. They were considered and discussed by the National Fraternal Congress in executive session for parts of two days with the result that the Committee was instructed "to continue consideration of the subject matter for the ensuing year and make report to the Congress at its next stated meeting."

In 1896 the Committee on Statistics and Good of the Orders submitted a second special report which sup-

ported its suggestions of the preceding year. As a result, it was instructed to make a third report in 1897, and "prepare and present to the next Congress such plans or systems of fraternal beneficiary protection that seem to them best adapted to the establishment of permanent fraternal protection at the lowest possible cost."

When the fraternal leaders began to talk of life insurance protection on a scientific basis, it could lead to but one result, viz., the adoption of a table of mortality. Consequently, when the National Fraternal Congress of 1897 organized for business, D. P. Markey, who was then the Chairman of the Committee on Statistics and Good of the Orders, offered a resolution signed by all the members of the Committee, as follows: "Resolved, That the incoming president of this Congress be requested to appoint a special committee of three to prepare minimum tables of rates upon the level and step-rate plans and any modifications of the same which may seem to them desirable and commensurate with safety, and that said committee report at the next session of this Congress."

This and a resolution presented by another member were considered by the Congress. On the following day, October 7, 1897, a new resolution was drawn up, presented and adopted. It follows:

"Resolved, That the incoming president of this Congress be requested to appoint a special committee of three to prepare tables of rates upon the level premium, the natural premium or step-rate plan and the step-rate plan with such modifications by applying to a proper extent the principles of a reserve or emergency fund.

"Said Committee shall, so far as possible, secure and present to this Congress a comprehensive statement of

the remedial changes which have been, or shall in the ensuing year be, adopted by any fraternal order, the object herein sought being the securing of such knowledge as shall be of value to this Congress in arriving at definite, safe and sound conclusions.

"Whereas, At the last session of the Congress a resolution was unanimously adopted in which it was declared to be the 'imperative duty of the several orders represented here to make, at the earliest practical date, proper provision for meeting the inevitable increase in the rate of mortality by adjustment of rates so that contribution shall be equitably proportioned to the hazard at risk.';

"Resolved, That this Congress hereby reaffirms its declaration of one year ago."

National Fraternal Congress Table of Mortality.—The members of the Special Committee to prepare tables of rates was appointed by the incoming president as follows: H. C. Sessions, Chairman; F. A. Draper, and D. P. Markey. The President, James E. Shepard, became *ex-officio* a member.

The Committee reported to the 1898 convention of the Congress and submitted a table of mortality, with the various tables of rates as instructed. Regarding the conditions incident to the construction of such a work, the Committee said: "The only data open to fraternals up to the present time has been the various mortality tables constructed from the experience of old-line companies, constructed by actuaries in their employ, with reference to providing a margin of safety to enable the company to make fixed contracts of insurance without increasing the amount of the annual premium. It has been a popular belief, based upon the actual mortality experience of the members of the old-line companies,

as well as the large amount of surplus accumulations, amounting to many millions of dollars in addition to the required legal reserve and dividends paid stockholders, that these rates were higher than necessary, especially when applied to a system where the number of assessments are not absolutely limited. The Committee, though not specially advised by the Congress, understood that it desired tables of rates as low as possible, keeping in view safety and perpetuity of the society, without increasing the rate or the number of assessments under ordinary conditions, above the minimum annual number required by the tables herewith submitted."

The experience used in constructing the tables embraced the mortality experience of old-line companies in the United States, England, Canada and Australia; and of the fraternal societies, the Royal Arcanum and the Ancient Order of United Workmen, which were the two oldest and largest in this country. The Committee made use of the advice and assistance of eminent actuaries, among them being George Dyre Eldridge, who subsequently became one of the great fraternal actuaries.

The Congress of 1898 received the report of the Committee and published it in the proceedings of the session, "to the end that the subject matter may be thoroughly digested and finally disposed of at the next session of this Congress." In the year that followed the Committee compared its tables with some new fraternal experience and made a regraduation at certain ages.

At the convention of the National Fraternal Congress in 1899 the final report of the Committee was submitted. Whereupon, the table was adopted by unanimous vote on August 23, 1899, in the City of Chicago, and it was called the National Fraternal Congress Table of Mortality.

Accompanying the table was a recommendation which, had it been followed by societies which attempted to adjust the rates of old members at attained ages, would have prevented many of the disappointments incident to attaining solvency. The Committee said: "The mass of data from which this mortality table is adjusted is so extensive that the conclusions reached have ample support as to its sufficiency. It can be applied to new business and old business at attained ages, when the latter is in good physical condition. Should such old business be below the average, then such impairment must be provided for by an addition to the rate of the table." Many societies, when adjusting their rates, ignored this and placed their old members on N. F. C. rates at attained ages without an addition to the rate of the table. Since most of these old members were impaired risks, their re-rating amounted to nothing more than a postponement of trouble.

Testing the N. F. C. Table.—Much of the agitation over adequate rates in following years centered about the National Fraternal Congress Table of Mortality. It was attacked on the ground that it was not an investigation of actual fraternal experience. Therefore, the National Fraternal Congress authorized the Committee on Statistics and Good of the Orders to compile a table from the experience of the societies, as more of it was available later, for the purpose of testing the N. F. C. Table. The work was done by Abb Landis, the actuary, and the result was the Forty-Three Societies Table.

Mr. Landis writes of the effect of the Forty-Three Societies Table as follows: "A voluminous report was submitted by Mr. Markey, Chairman of the Committee on Statistics and Good of the Orders, at the meeting in

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N. F. C. TABLE OF MORTALITY: 1901-1911

Montreal, 1906. This report contained several mortality tables constructed from the experience of forty-three societies, members of the Congress, which tables so nearly corresponded with that reported in 1897 that the Committee on Statistics came to the conclusion that the original table, for all practical purposes, reflected the actual experience of fraternal orders, and that the Congress was justified in continuing its endorsement as originally given, taking into consideration the explanation of the Special Committee on Rates in reference to its use."

In 1917 the Committee on Statistics and Good of the Orders of the National Fraternal Congress of America, of which Mr. Markey was still Chairman, submitted a special report on a further test of the N. F. C. Table. In the twenty years since it was compiled many societies had adopted the Table for various purposes; some used its rates with loading for expenses for new members fresh from the medical examination; some used the net rates for new members; and some used the rates for the transfer of old members in various conditions of disability at attained ages. The readjustments of societies in twenty years produced an abnormal condition in fraternal experience. The Special Report of 1917 contained a mortality table compiled from the statistics collected by the Committee from the societies which were members of the Congress and which was called the "Fraternal Combined Experience Table of Mortality." The conclusions resulting from a study of this table is that the National Fraternal Congress Table is safe for "going concerns," but it is not safe for re-rated business in all cases. This merely confirms the statement of the Special Committee which compiled the N. F. C. Table in 1897, which said at that time: "It can be applied to

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new business and old business at attained ages, when the latter is in good physical condition. Should such old business be below the average, then such impairment must be provided for by an addition to the rate of the table." The subsequent tests show these words to have been prophetic.

On the following pages are given the National Fraternal Congress Table of Mortality and the rates deduced therefrom.

N. F. C. TABLE OF MORTALITY

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NATIONAL FRATERNAL CONGRESS TABLE OF
MORTALITY.

Age.	Number Living.	Number Dying.	Probability	Probability	Expecta-
			of Living One Year. p.	of Dying Within Year. q.	
20	100,000	500	.9950000	.0050000	45.6
21	99,500	501	.9949648	.0050352	44.9
22	98,999	502	.9949292	.0050708	44.1
23	98,497	503	.9948932	.0051068	43.3
24	97,994	505	.9948466	.0051534	42.5
25	97,489	507	.9947994	.0052006	41.8
26	96,982	510	.9947413	.0052587	41.0
27	96,472	513	.9946824	.0053176	40.2
28	95,959	517	.9946123	.0053877	39.4
29	95,442	522	.9945307	.0054693	38.6
30	94,920	527	.9944480	.0055520	37.8
31	94,393	533	.9943534	.0056466	37.0
32	93,860	540	.9942468	.0057532	36.2
33	93,320	548	.9941277	.0058723	35.4
34	92,772	557	.9939960	.0060040	34.6
35	92,215	567	.9938513	.0061487	33.9
36	91,648	578	.9936933	.0063067	33.1
37	91,070	591	.9935105	.0064895	32.3
38	90,479	606	.9933023	.0066977	31.5
39	89,873	622	.9930791	.0069209	30.7
40	89,251	640	.9928292	.0071708	29.9
41	88,611	660	.9925517	.0074483	29.1
42	87,951	683	.9922343	.0077657	28.3
43	87,268	708	.9918871	.0081129	27.5
44	86,560	734	.9915203	.0084797	26.8
45	85,826	761	.9911332	.0088668	26.0
46	85,065	790	.9907130	.0092870	25.2
47	84,275	822	.9902462	.0097538	24.4
48	83,453	857	.9897307	.0102693	23.7
49	82,596	894	.9891762	.0108238	22.9
50	81,702	935	.9885560	.0114440	22.2
51	80,767	981	.9878540	.0121460	21.4
52	79,786	1,029	.9871030	.0128970	20.7
53	78,757	1,083	.9862488	.0137512	19.9
54	77,674	1,140	.9853233	.0146767	19.2
55	76,534	1,202	.9842946	.0157054	18.5
56	75,332	1,270	.9831413	.0168587	17.8
57	74,062	1,342	.9818800	.0181200	17.1
58	72,720	1,418	.9805006	.0194994	16.4
59	71,302	1,501	.9789487	.0210513	15.7

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NATIONAL FRATERNAL CONGRESS TABLE OF
MORTALITY—Continued.

Age.	Number Living.	Number Dying.	Probability of Living One Year. P.	Probability of Dying Within Year. Q.	Expectation.
60	69,801	1,588	.9772496	.0227504	15.0
61	68,213	1,681	.9753566	.0246434	14.4
62	66,532	1,778	.9732760	.0267240	13.7
63	64,754	1,880	.9709670	.0290330	13.1
64	62,874	1,985	.9684289	.0315711	12.4
65	60,889	2,094	.9656096	.0343904	11.8
66	58,795	2,206	.9624798	.0375202	11.2
67	56,589	2,318	.9590380	.0409620	10.7
68	54,271	2,430	.9552247	.0447753	10.1
69	51,841	2,539	.9510233	.0489767	9.5
70	49,302	2,645	.9463511	.0536489	9.0
71	46,657	2,744	.9411878	.0588122	8.5
72	43,913	2,832	.9355088	.0644912	8.0
73	41,081	2,909	.9291887	.0708113	7.5
74	38,172	2,969	.9222205	.0777795	7.0
75	35,203	3,009	.9145243	.0854757	6.6
76	32,194	3,026	.9060073	.0939927	6.2
77	29,168	3,016	.89655990	.1034010	5.7
78	26,152	2,977	.8861655	.1138345	5.3
79	23,175	2,905	.8746494	.1253506	5.0
80	20,270	2,799	.8619142	.1380858	4.6
81	17,471	2,659	.8478049	.1521951	4.3
82	14,812	2,485	.8322306	.1677694	3.9
83	12,327	2,280	.8150402	.1849598	3.6
84	10,047	2,050	.7959590	.2040410	3.3
85	7,997	1,800	.7749156	.2250844	3.0
86	6,197	1,539	.7516540	.2483460	2.8
87	4,658	1,277	.7258480	.2741520	2.5
88	3,381	1,023	.6974268	.3025732	2.3
89	2,358	788	.6658185	.3341815	2.1
90	1,570	579	.6312102	.3687898	1.9
91	991	404	.5923310	.4076690	1.7
92	587	264	.5502555	.4497445	1.5
93	323	161	.5015480	.4984520	1.4
94	162	89	.4506173	.5493827	1.2
95	73	44	.3972603	.6027397	1.1
96	29	19	.3448276	.6551724	1.0
97	10	7	.3000000	.7000000	.8
98	3	3	.0000000	1.0000000	.5

LEVEL RATES.

This table shows the lowest rates that can be deduced from the mortality table above. The full amount must be collected annually, and the portion not used to provide for current mortality must be invested at four per cent. interest. The annual rate is calculated on the basis that the full amount is paid at the beginning of the year. The monthly rates are increased slightly to provide for the loss of interest due to that method of payment and the slightly less amount contributed by dying members. (No provision is made for expense loading in these rates.)

Age.	Annual.	Monthly.	Age.	Annual.	Monthly.
21	\$10.62	\$.93	41	\$20.93	\$1.83
22	10.92	.96	42	21.80	1.91
23	11.24	.98	43	22.72	1.99
24	11.57	1.01	44	23.69	2.07
25	11.92	1.04	45	24.72	2.16
26	12.28	1.07	46	25.81	2.25
27	12.67	1.11	47	26.91	2.35
28	13.08	1.14	48	28.20	2.45
29	13.51	1.18	49	29.51	2.58
30	13.96	1.22	50	30.98	2.71
31	14.43	1.26	51	32.39	2.83
32	14.94	1.31	52	33.97	2.97
33	15.47	1.35	53	36.65	3.12
34	16.03	1.40	54	37.45	3.28
35	16.62	1.45	55	39.36	3.44
36	17.24	1.51	56	41.41	3.62
37	17.90	1.57	57	43.60	3.88
38	18.60	1.63	58	45.94	4.02
39	19.34	1.69	59	48.45	4.24
40	20.11	1.76	60	51.13	4.47

STEP RATES AND MODIFICATIONS.

Column 1 gives the age groups. Column 2 gives the annual rates for the natural step-rate to age 61, and the level rate from that age for the balance of life. Column 3, the monthly rates, as derived from the annual rates with allowance for slight loss due to the method of payment. These two columns are the basis for calculating columns 4 and 5. Column 4 shows a modification of the natural step-rate by means of an accumulation of 15

cents per month, which is used to reduce the level cost from age 61 to \$3.00 per month. Column 5, a similar modification, but with an accumulation of 30 cents per month, and a level cost from age 61 to \$2.50 per month. Under either of these plans all members pay the same rates at the same attained ages. The purpose in view in these tables is to have a plan that requires but little detail in its operation, so as to be readily comprehended by the officers of the local lodges.

1 Ages.	2 Annual.	3 Monthly.	4 Monthly.	5 Monthly.
21-25	\$ 5.11	\$.45	\$.60	\$.75
26-30	5.40	.48	.63	.78
31-35	5.93	.52	.67	.82
36-40	6.71	.59	.74	.89
41-45	8.14	.72	.87	1.02
46-50	10.25	.90	1.05	1.20
51-55	13.82	1.21	1.36	1.51
56-60	19.60	1.72	1.87	2.02
61	54.01	4.73	3.00	2.50

ACCUMULATION TABLE.

The step-rate plan, as shown in column 2 of the above table, can be modified to meet the necessities of different societies by varying the amount of the accumulation. The following table is submitted as a basic table for that purpose. It shows how an accumulation of \$1.00 per annum, paid in monthly instalments, may be used to reduce the level cost after age 61, from the level rate of \$54.01. The table shows the amount of such reduction, based on age at entry, giving to each member the full benefit of the term of membership. Thus the member entering at 21 would secure an annual reduction of \$11.61, giving an annual cost from age 61 of \$42.40. The member entering at 36 would secure a reduction of \$4.71, giving annual cost from age 61 of \$49.30. The adjustment of annual cost after age 61 would only have to be made when the members reach age 61, the rates being the same for same attained ages from 21 to 60.

With this table as a basis, the annual accumulation necessary to secure greater reductions can be calculated. If the accumulation was \$2.00 per annum, the reduction would be twice that

of the table, and so in proportion for any other amount of accumulation:

At age 61 the level rate is \$54.01.

At each age at entry \$1.00 per year additional to natural step-rate paid as a special accumulation will give the following annual reduction from age 61:

Age.	Reduction.	Age.	Reduction.
21	\$11.61	36	\$4.71
22	11.00	37	4.40
23	10.41	38	4.10
24	9.85	39	3.81
25	9.30	40	3.53
26	8.80	41	3.28
27	8.30	42	3.03
28	7.82	43	2.79
29	7.36	44	2.55
30	6.93	45	2.33
31	6.52	46	2.13
32	6.13	47	1.93
33	5.75	48	1.74
34	5.39	49	1.56
35	5.04	50	1.39

CHAPTER VII

STATUTORY LEGISLATION AND STATE SUPERVISION

The business operations of fraternal benefit societies are today regulated by statutes of the States in which they are licensed. This is for the protection of both the public and the societies. The public has a right to expect that these fraternities shall conform to certain regulations and maintain established safeguards for the benefit of those who become members. The societies, on their part, need protection against fraudulent organizations which would invade their field and bring reproach upon the name of fraternalism. In addition, the charitable nature of their work and the fact that they are non-profit taking organizations entitle them to special consideration at the hands of lawmakers. The exemptions accorded them must be guaranteed in the written law of the government.

Laws regulating the societies have reached their present form through a long period of discussion and revision. They have been constructed in accordance with the demands for the improvement of fraternal operation, and progress in lawmaking and adjustment of fraternal operation have made progress hand in hand. In the early years of the fraternal system the leaders opposed legislation and declared that the societies should not be subject to regulation or supervision. This stand was taken because they believed that the co-operative and fraternal character of the business entitled it to exemption. They considered that life insurance companies,

which were organized for profit, were properly subject to regulation. This viewpoint caused considerable bitterness. But to the credit of the fraternalists we must record the fact that they have drafted and supported practically all statutes which have been enacted.

Supervision of fraternal benefit societies is a power of the various State insurance departments. On account of the fact that the benefits paid by the societies correspond in character to the proceeds of life insurance policies, and from the further fact that a successful and enduring operation of a benefit society is in reality a life insurance business, fraternal organizations have been placed under the observation of the department of the State which protects the people from dishonest insurance schemes. The commissioners of insurance are charged with the duty of supervision. In the main they have been friends of fraternal operation and have assisted in the construction of laws for the purpose of placing fraternal insurance on an enduring foundation. They have an organization which is known as the National Convention of Insurance Commissioners. The Convention meets several times a year for the discussion of problems pertaining to supervision. By following a concerted course in these matters the various departments have established uniformity in legislation and supervision.

Supervision by the State has had a good influence on fraternal operation. It has resulted in the benefits and rates becoming standardized, and movements for the improvement of the societies have necessarily been subjected to the approval of the commissioners. On the other hand, there has been a tendency among some commissioners to apply the same rules to both the old-line companies and the fraternal societies. Undoubtedly this

came as a result of having both kinds of organizations under their jurisdiction. Commissioners are human and are liable to make the mistakes that are formed by habit, and some of them have fallen into the habit of thinking of fraternities in the same light as that applied to old-line companies. They forget sometimes that fraternal benefit societies are mutual co-operative enterprises, not conducted for profit, and therefore are entitled to special consideration.

National Supervision.—Many people have wondered why the business of insurance is supervised by the various States and Territories and not by the government of the United States. They observe that the business is subject to the rules of forty-eight State departments with conflicts of authority and duplication of work. Therefore they ask why Federal supervision is not established.

Any consideration given to National supervision would be merely a discussion of an academic subject. Movements to attain this end have been a waste of effort in the past, and it is doubtful if any living person will ever see Federal supervision of insurance in the United States. The reason that this prediction can be made safely is for the fact that it would require an amendment to the Constitution of the United States to permit the National government to exercise authority over the insurance business. People who realize the tremendous weight of public opinion needed to carry a movement to obtain an amendment to the Constitution will agree with this prediction. The simple reason is that enough people will not concern themselves in the matter.

It is declared that the Federal government regulates interstate commerce and because the business of insur-

ance reaches across the boundaries of States it, too, could be regulated as commerce. But the Supreme Court of the United States has declared repeatedly that insurance is not commerce. Article X of the Amendments to the Federal Constitution reads: "The powers not delegated to the United States by the Constitution nor prohibited by it to the States, are reserved to the States respectively or to the people." This is the authority under which the States impose their regulations.

The Supreme Court of the United States has declared in at least nine decisions that insurance is not commerce, and the first of these was in the case of Paul vs. Virginia (75 U. S. 168), decided in 1868. Mr. Justice Field, speaking for the court, said: "Issuing a policy of insurance is not a transaction of commerce. The policies are simple contracts of indemnity against loss by fire, entered into between the corporations and the assured, for a consideration paid by the latter. These contracts are not articles of commerce, in any proper meaning of the word. They are not subjects of trade and barter, offered in the market as something having an existence and value independent of the parties to them. They are not commodities to be shipped or forwarded from one State to another and then put up for sale. They are like other personal contracts between parties, which are completed by their signatures and the transfer of consideration. Such contracts are not interstate transactions, though the parties may be domiciled in different States. The policies do not take effect—are not executed contracts—until delivered by the agent in Virginia. They are then local transactions and are governed by the local law. They do not constitute a part of the commerce between the States any more than the contract for the purchase

and sale of goods in Virginia, by a citizen of New York whilst in Virginia, would constitute a portion of such commerce."

This doctrine was repeated in subsequent decisions of the Supreme Court. The discussion of Federal supervision became so prominent, however, that the New York Life Insurance Company determined to make a test case. The hope was indulged in that since the business of insurance had reached such world-wide magnitude and played so important a part in commercial life, that, if the question could be raised squarely before the Supreme Court in a case which would present insurance as it is today, the Court could be induced to change its position and hold that insurance is commerce and could be regulated by the Federal government under the commerce clause of the Constitution. Out of this hope came the case of *New York Life Insurance Co. vs. Deer Lodge County*, an action commenced in the District Court of Deer Lodge County, Montana, framed in such a manner as to compel a decision of the sole issue: Is Federal supervision of life insurance possible under existing law?

The company lost in the local court, met a like fate in the Supreme Court of Montana, and promptly carried the case to the Supreme Court of the United States. The decision (231 U. S. 495) was handed down December 15, 1913. Speaking for the Court, Mr. Justice McKenna stated that under the doctrine of *stare decisis* it considered the question foreclosed; but out of respect for the able briefs which had been filed on behalf of the company, the Court reconsidered the question on principle and announced by a vote of seven to two that the previous decisions of the Court were correct. The two dissenting justices did not file an opinion.

This disposes of Federal supervision until an amendment to the Constitution of the United States is obtained. A campaign with such an object in view would bring up the old subject of States rights and would create a lively discussion. The author believes that the exercise of power by the Federal government during the war with Germany has reduced the number of those who favored Federal supervision of insurance before the war. They have observed the effect of the concentration of enormous power in the hands of a few men. It breeds autocracy among the ranks of the bureaucrats and makes them lose their respect for the rights of private enterprise. The centralization of authority was quite correct during the war, because individual rights must be sacrificed when facing the Country's enemy, but in time of peace autocracy must be curbed. It is probable that the sentiment in favor of National supervision is weaker now.

Early Legislation.—When the National Fraternal Congress was organized in 1886 one of its first acts was to constitute and appoint a committee on legislation. A study of the reports made by this committee to the annual conventions of the Congress in the early years discloses that its efforts were exerted chiefly to oppose legislation which was inimical to the societies. No attempt was made to obtain statutes for the regulation and control of the societies, or to prescribe methods of operation. In fact it was the intention at first to keep the societies independent of the law. Practically all the legislation for their regulation was proposed by the life insurance companies, whose ideal of a fraternal society statute was one which would put the societies out of business.

The beginning of statutory legislation and State super-

vision for fraternal benefit societies was made in 1888 when a bill was drafted for the purpose of securing uniform legislation and substantially was enacted into law by the legislature of Massachusetts. Two noteworthy features were the provision for the payment of endowments and the limitation of the amount of the benefit fund to the proceeds of five assessments (both of these have been discarded). The Massachusetts statute did provide, however, for various regulations which have come down practically unchanged to the present time. These are (1) that a certain number of persons, usually seven, citizens of the State, might form a fraternal benefit corporation, and the manner in which it is organized is outlined; (2) a definition of the nature of the corporation and its operation; (3) fraternal benefit associations organized under the laws of another State, but transacting business in Massachusetts, shall report on the request of the commissioner of insurance; (4) the report is required to be made on or before the 1st of March each year, giving specified information as to its operation and a statement of its membership and financial transactions up to December 31st of the preceding year; and provision for the appointment of the insurance commissioner as the attorney upon whom process is to be served.

Many of these provisions were opposed by men high in the ranks of fraternalism, but in 1890 a new cause favorable to regulatory legislation was presented to the National Fraternal Congress by President D. H. Shields. He had come to the conclusion that the societies needed protection, and said: "How are we to protect ourselves from the many fraudulent organizations that are flooding the country under the garb and cloak of fraternity? We

should carefully consider this question as one of deep importance. While we should not do anything to injure in any way any legitimate business or avocation, we should expose fraud and counterfeits wherever found and denounce them in no uncertain terms. Whether or not it would be wise to invoke legislation against such I am not prepared to say, but something should be done to rid the country of the pirates who are robbing the people under the guise of fraternity."

In 1890 there were no general statutes for the regulation or supervision of fraternal benefit societies in Alabama, California, Colorado, Connecticut, Dakota, Delaware, District of Columbia, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wyoming. In some of these the insurance laws contained clauses exempting fraternal societies from their provisions. In Canada the only reference to the societies was an exemption in the statute controlling the insurance business.

In Florida, South Carolina, Vermont and Montana, there were no laws or exemptions relating to the societies at this time, but there were rulings of the State insurance departments making the general insurance laws applicable to fraternal insurance.

In Maine, Massachusetts, Nebraska, New York and Wisconsin there were special laws concerning fraternal benefit societies. These were enacted chiefly for the purpose of crippling the societies and hampering their expansion. The law of New York was the most favorable and that of Nebraska the most drastic. Not one

contained a provision for constructive upbuilding of the societies.

The Committee on Legislation of the National Fraternal Congress in 1890 recommended that "no legislation subjecting the fraternal orders to State control in any way should be permitted to be enacted," and it was adopted by unanimous vote; but in 1891 President A. R. Savage said: "I think this Congress should adopt some more systematic and efficient method of making its influence felt in legislative halls, when legislation, either favorable or adverse, is under consideration. Notably, in two or three States this last year, dangerous if not hostile, laws have been enacted which might have been defeated by concerted action. We cannot be too vigilant. There should be a sentinel upon every outpost, and the entire army, when it sleeps, should sleep upon its arms. Surely the voice of a million and a half of men and women, uttered with force and authority, cannot fail to be heard and heeded by the most obdurate of legislators."

The Massachusetts law permitted the payment of endowments by fraternal benefit societies. In 1891 began the movement which resulted in the elimination of the endowment feature from all certificates and plans of the societies. The issuing of endowments is purely a banking business and has no relation to life insurance except to weaken the protection which is sold with an endowment. This is best explained by referring to the endowments sold by life insurance companies today; the endowment policy includes insurance with the investment, but it is only term protection and, in the case of a twenty-year endowment, the protection ends at the end of twenty years and is not renewable. By reason of the permission included in the Massachusetts law before 1891

several "endowment fraternities" had been established, and they were operating on rates far too low to permit them to pay their obligations. Their failure was foreseen, with the possibility of bringing the protective fraternities into disrepute. Therefore the National Fraternal Congress went on record in opposition to endowments, and the fraternal system has retained to this day its purpose to make protection its chief mission.

Following its discussion of endowments in 1891 the National Fraternal Congress instructed the Committee on Legislation to "draft a bill for regulating the business and defining the status of fraternal societies, to be submitted to the several legislatures." In this year commenced that systematic and vigorous activity which ever afterward characterized the work of the Congress in shaping legislation in the several States.

Attention was given in the 1891 convention of the National Fraternal Congress to the subject of uniform blanks for reporting to State insurance departments. Notwithstanding the opposition of the fraternalists to supervision by insurance departments the laws of various States required that they report in about the same manner as required of life insurance companies. In other States the insurance departments demanded compliance with certain imposed regulations, and the societies, rather than contest the matter, submitted. The discussion in the convention revealed that the fraternalists considered the form of blank used by the New York department the most complete and favorable. There was no uniformity among the blanks of the different States.

Uniform Bill.—Up to 1891 the National Fraternal Congress was without a settled policy in regard to statutory legislation. It had issued various kinds of instruc-

tions to its Committee on Legislation, mainly for the purpose of forestalling and opposing the bills proposed by insurance commissioners and others. Some of the leaders insisted that the societies were operating as fraternal, charitable and benevolent institutions and, as such, should be entirely exempt from the customary regulations imposed upon insurance organizations. Yet the fraternal system needed protection against fraudulent concerns masquerading as fraternities, as already stated in this volume. It discovered also that as long as the societies possessed no positive and agreed plan for legislation they were constantly subjected to legislative attacks. Therefore, in 1891, the Congress authorized the appointment of a Special Committee to draft a Uniform Bill.

At this time twenty-eight societies were represented in the National Fraternal Congress. Their combined membership was about 1,250,000. Among those which were still doing business when this work was written in 1919 were the following: Ancient Order of United Workmen, Royal Arcanum, National Union Assurance Society, The Maccabees, Royal Templars of Temperance, Fraternal Mystic Circle, Knights of Pythias Insurance Department, Protected Home Circle, Artisans Order of Mutual Protection, Woodmen of the World, Independent Order of Foresters.

The Chairman of the Committee on Uniform Law was John Haskell Butler, representing the Royal Arcanum, and an eminent attorney of Boston, Mass. This Committee was consolidated with the standing Committee on Legislation in 1892. It reported a model bill of fifteen sections entitled, "An Act Regulating Fraternal Beneficiary Societies, Orders or Associations." It was known

as the N. F. C. Uniform Bill and has been the model from which subsequent bills have been written.

A synopsis of the Uniform Bill prepared by Abb Landis is as follows:

Section 1.—A fraternal beneficiary association is hereby declared to be a corporation, society or voluntary association, formed or organized and carried on for the sole benefit of its members and their beneficiaries, and not for profit. Each association shall have a lodge system, with ritualistic form of work and representative form of government, and shall make provision for the payment of benefits in case of sickness, disability or death of its members, subject to their compliance with its constitution and laws. The fund from which the payment of such benefits shall be made and the fund from which the expenses of such association shall be defrayed shall be derived from assessments or dues collected from its members. Payment of death benefits shall be to the families, heirs, blood relatives, affianced husband, affianced wife of, or to persons dependent upon the member. Such associations shall be governed by this Act and shall be exempt from the provisions of insurance laws of this State, and no law hereafter passed shall apply to them unless they be expressly designated therein.

Section 2 provided that all associations then doing business in the State, and coming within the description of Section 1, may continue such business.

Section 3 provides that any association coming within the description of Section 1, organized in another State or Province, but not then doing business in the State, should be admitted on filing copy of charter, etc., and paying prescribed fees.

Section 4 provides for an annual report to be filed by March 1st and giving details of conditions under twenty-five items specified in the Bill. The Commissioner of Insurance is empowered to require any additional information "in relation to its doings or condition, or any other matter connected with its transactions relative to the business contemplated by this Act, and such officers of such associations as the Commissioner of Insurance may require shall promptly reply in writing, under oath, to all such inquiries."

Section 5 provides that the Commissioner of Insurance shall be appointed as attorney to accept service of any legal action.

Section 6 provides for the issuance of a license.

Section 7 provides for incorporation.

Section 8.—Such associations shall not employ paid agents in soliciting or procuring members except in the organizing or building up of subordinate bodies or granting members inducements to procure new members.

Section 9.—No contract with any such association shall be valid when there is a contract, agreement or understanding between the member and beneficiary that the beneficiary or any person for him shall pay such member's assessments and dues, or either of them.

Section 10.—The money or other benefit, charity, relief or aid to be paid, provided or rendered by any association authorized to do business under this Act shall not be liable to attachment by trustee, garnishee or other process and shall not be seized, taken, appropriated or applied by any legal or equitable process, or by operation of law to pay any debt or liability of a certificate holder or of any beneficiary named in a certificate, or of any person who may have any right thereunder.

Section 11 provides for meeting of the legislative bodies in other States or Provinces than where incorporated.

Section 12 provides penalties for false and fraudulent statements.

Section 13 provides procedure against an association for refusing to make report as required.

Section 14 provides penalty for acting as officer, agent, or otherwise, in violation of the law.

Section 15 provides for the repeal of laws inconsistent with the Act, and exempting Masons, Odd Fellows and similar orders from the application of the Act.

The Uniform Bill as reported was referred to a special committee of five to be edited before being printed, and M. G. Jeffries, President of the Congress, was appointed special representative to attend the next meeting of the National Convention of Insurance Commissioners and submit it for approval. The following year, 1893, the Uniform Bill was enacted into law by the legislature of Michigan, and it was adopted the same year with some modifications and changes in Illinois and New Jersey. At the seventh session of the National Fraternal Congress, held in November, 1893, at Cincinnati, Ohio, by unanimous vote a recommendation was adopted to secure the enactment of the Uniform Bill in States having no laws relating to fraternal benefit societies.

In 1897 John Haskell Butler, Chairman of the Committee on Statutory Legislation, reported progress in obtaining the enactment of the Uniform Bill in various States, continuing the work which had been carried on since its adoption by the Congress in 1892. In this report Mr. Butler stated that the following clause had been inserted in the Bill: "Any such Fraternal Beneficiary Association may create, maintain, disburse and

apply a reserve or emergency fund in accordance with its constitution or by-laws."

This was at the time the Congress was considering the project of compiling a table of mortality, and the N. F. C. Table was reported the following year. In explanation of the change in the Uniform Bill, Mr. Butler said: "This was done not only because of a demand therefor, which, if refused, might have jeopardized success in obtaining the enactment of the law, but, in view of the possibility, not to say probability, that many of the fraternities now associated in the Congress may, in the near future, adopt reserve fund provisions, it seems wise that statutory permission therefore should exist. The Committee ask that their action in this respect be endorsed, and recommend that the Uniform Bill be amended by adding this same provision to the end of Section 1." Therefore, new legislation proposed by fraternalists from this time on provided permission to establish reserve funds. The Constitution and Laws of the Congress were amended at the 1897 convention to conform to the change in operation thus written into the law.

"Force Bill."—In 1899 the N. F. C. Table of Mortality was adopted. In 1900 the National Fraternal Congress started a movement to require all new societies to be organized and those seeking admission to additional States to charge rates not less than the rates of the N. F. C. Table. The effect of this would have been to allow the large and well-established societies to continue on cheap rates, while new and expanding societies would have had to charge higher rates, with the consequent handicap in competition. This movement caused a division in fraternal ranks, resulting in the formation of the Associated Fraternities of America. It also led

to the proposed legislation designated by its opponents as the "Force Bill."

The National Fraternal Congress convention of 1900 in Boston adopted unanimously a resolution proposed by its rate committee which contained the following: "That, in its judgment, this Congress should recommend to the law-making power of all States and Provinces in the enactment of laws that will require all fraternal benefit societies thereafter organized and not theretofore admitted to do business therein, to adopt rates not lower than is demonstrated to be necessary by the following (N. F. C.) mortality table, adopted by this Congress at its last meeting."

In accordance with its stand for legislation to impose N. F. C. rates on new and expanding societies, the Congress in the same year applied the same rules to societies seeking admission to the Congress. It adopted a resolution to this effect upon the recommendation of the Committee on Credentials, the recommendation being as follows: "Your Committee have become satisfied from an examination of some of the societies applying for admission that their rates of assessment are inadequate to provide for the benefits provided in their laws, but the Constitution of the Congress has no requirement or standard upon this point. We, therefore, recommend that the Committee on Constitution and Laws formulate and present for adoption at this session a provision which will enable this Committee to refuse admission to future applicants for admission to the Congress, when it is evident that their table of rates is clearly inadequate to provide for the successful carrying out of their contracts with their members."

The National Convention of Insurance Commissioners

aided and approved this stand. The National Fraternal Congress had a Committee on Conference with the Insurance Commissioners, and in 1900 this committee, reporting on its negotiations with the insurance commissioners, said: "The joint committee was unanimously of the opinion that it would be impracticable to insist by statute on any arbitrary rate of assessment for societies already organized and doing business, but it was the consensus of opinion in the committee (including both fraternalists and insurance commissioners) that legislation might wisely be sought restricting societies hereafter organized, or seeking admission, to transact fraternal society business to a minimum rate of assessment per annum for benefits promised."

The author realizes that the differences of opinion on the "Force Bill" might even today cause acrimonious discussion, as they did in the years following the convention of 1900, and the subject should be handled with circumspection. The quotations given above, however, are the facts as gleaned from the proceedings of the National Fraternal Congress. This stand of the Congress immediately divided the fraternal societies into two camps, and in the following month of March the Associated Fraternities of America was organized in protest, as related in a preceding chapter. Later on the National Fraternal Congress adopted a resolution declaring that all societies should adopt adequate rates by 1905.

In its declaration of principles, adopted in 1901, the Associated Fraternities of America stated its belief that "all societies should charge adequate mortality rates for their promised benefits," but declared its "uncompromising opposition to any and all legislation which would

tend to restrict the rights of the membership of our society to self-government, and denounce as unwise, unfair and against public policy any statutory enactments for government and control of fraternal associations which do not apply expressly to all societies with equal force and effect."

Abb Landis has expressed an opinion of the movement under consideration as follows: "It is difficult to defend the position that adequate rates should be applied to new organizations and not applied to the new members of old organizations." Nearly twenty years after the resolution was adopted by the National Fraternal Congress it is difficult to understand why it was done. Surely it has no standing on the principles of fraternalism or ethics. Its disruption of fraternal forces might have been foreseen and avoided. It is probable that the leaders of the N. F. C. used this plan as an entering wedge for the general adoption of rates based on the N. F. C. Table of Mortality. Many mistakes have been made in the long fight to attain sounder methods of operation, and this may be counted as one of them.

There was rivalry and contention between the National Fraternal Congress and the Associated Fraternities of America for ten years. The latter drafted a model bill for submission to the several legislatures, and this was opposed by the N. F. C. However, to the credit of fraternity, it must be recorded that both maintained conference committees for negotiation on various topics. When fraternalism was assailed they worked hand in hand. But the differences of opinion expressed to insurance commissioners and in legislative hearings were a handicap to real progress.

Mobile Bill.—A sentiment grew in favor of having the societies adopt a reserve plan by which they could furnish life insurance protection on level rates, and this was to be attained by legislation. The State statutes were to be invoked to require the societies to adopt a solvent plan of operation, and they were to be tested by valuation. In the ten years following the adoption of the N. F. C. Table of Mortality fraternal leaders, as well as members in the ranks, were educated to the fact that a level rate requires the accumulation of a reserve. The feeling was expressed that all societies should be treated alike in a model bill to be drafted in combination with the National Convention of Insurance Commissioners and that, for the good of the fraternal system, unsound plans of operation should be abandoned. These sentiments led to the drafting of the Mobile Bill.

The National Convention of Insurance Commissioners met at Mobile, Ala., in September, 1910. At this meeting appeared committees representing the National Fraternal Congress and the Associated Fraternities of America, and joint meetings were held with a committee of insurance commissioners. The preliminary work had been accomplished. It had taken several years to get the proposed bill into shape, and the principle of valuation had been discussed and approved by the two fraternal organizations. Reau E. Folk, Chairman of the Fraternal Committee of insurance commissioners, had announced: "It should be distinctly borne in mind that the commissioners are in no hostile attitude toward the fraternal benefit societies of America. They recognize the fraternal benefit system as a great source of beneficence in our civilization and as one calculated to render efficient aid to the highest purposes of society. It is

their earnest desire to see the system placed upon a basis which will insure its stability for all time to come."

At the conference in Mobile with the insurance commissioners the representatives of the National Fraternal Congress were Charles E. Piper and Abb Landis. The representatives of the Associated Fraternities were Arthur Burnett, Benjamin D. Smith, Lee W. Squier, Robert S. Iles and George Dyre Eldridge.

The Mobile Bill was adopted by the National Convention of Insurance Commissioners on September 28, 1910. It represented complete unity between the leading fraternal organizations and the insurance commissioners. It established new principles and requirements in fraternal operation and is considered today as a landmark in fraternal progress.

The bill included the accepted features of definition and supervision which had been evolved through twenty years of rulings and legislation. In addition, it established requirements for valuation and publicity as to financial condition, and the societies were required to improve their degrees of solvency by five per cent. every three years. It permitted the granting of extended and paid-up protection, as well as withdrawal equities based on reserves. It recognized the N. F. C. Table of Mortality as a minimum basis for the computation of rates, but the societies were not limited to this one table; they could value their certificates on this table, or any higher table, or a society could use a table based upon its own experience of at least twenty years and covering not less than one hundred thousand lives. In 1911 the Mobile Bill without material amendments was passed by the legislatures of and became laws in the States of Alabama, California, Colorado, Idaho, Missouri, New York, Ohio,

Oregon, Utah, Washington, Montana, Wisconsin and Massachusetts.

New York Conference Bill.—Soon after the approval of the Mobile Bill an intense discussion of its most important provisions started in fraternal ranks. This was based on a study of the plan to insure future security. The law provided an annual valuation of each society's financial condition on December 31st of each year, and it demanded that the society should take such steps as would show a five per cent. increase in the degree of solvency at each triennial valuation. Careful consideration of this provision convinced fraternal leaders that it was too drastic, inasmuch as no workable method was given for assisting old members to make up their deficiencies through easy stages. Fraternalists became convinced that different treatment should be accorded old and new members, allowing segregation of the different classes of members and the funds which they had contributed.

Therefore, several conferences of fraternalists and insurance commissioners were held for the purpose of discussing the proposed improvements. A new organization was introduced and participated in these negotiations. This was the Federated Fraternities. It was opposed to the Mobile Bill. It would not have co-operated in securing legislation so long as this bill was the approved standard of the insurance commissioners. The final conference, held in New York City on the 3rd and 4th of December, 1912, was participated in by representatives of The National Convention of Insurance Commissioners, the National Fraternal Congress, the Associated Fraternities of America, and the Federated Fraternities. Agreement was reached on amendments

to the bill adopted at Mobile and to distinguish it from the original measure the revised bill is called the New York Conference Bill.

The principal changes made at the New York conference consisted of an amendment to Section 23a, among other amendments, and the addition of Section 23b. The result was that the fraternal system came into possession of a model bill for legislation upon which all interests were united. It prescribed definite rules for future operation and gave a workable system for readjustment, by which the societies could attain a solvent and permanent system. The amendment to Section 23a provided that the triennial valuation should show a degree of solvency in which no reduction had been made in the three-year period, instead of the improvement of five per cent. in the ratio every three years. Section 23b provided for valuation on the "accumulation basis," in which consideration is given to net contributions, with net interest earned, as credits, and a share of the death losses of each year as a liability, with the balance carried to the member's credit. It also permitted segregation of the different funds of a society according to the different classes, each class separate as if it were an independent society, and the required reserve accumulation of each class set apart and not mingled with the assets of other classes of the society. The factor of segregation was established in order that new members coming into a society on adequate rates would not be robbed of their reserve accumulations in order to make up the deficiencies of those who were paying inadequate rates.

The New York Conference Bill is the fraternal law of the land. After its adoption the first effort of fraternalists and insurance commissioners was to obtain the

amending of the Mobile Bill in the thirteen States which had enacted the previous measure into law. Their efforts have been successful and the Mobile Bill ceased to be a law in any State in 1919. The New York Conference Bill was extended to other States, however, and today it is on the statutes of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Idaho, Indiana, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Montana, New Hampshire, New York, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin and Wyoming.

The following States still have in force the old National Fraternal Congress Uniform Bill which, in respect to methods of operation and requirements for supervision, is the same as the New York Conference Bill, except that it makes no provision for valuation and publicity: Iowa, Maine, Minnesota, Oklahoma and Vermont.

Influence of the Fraternal System in Legislation.—The progress of the fraternal system and its achievements in legislation have gone hand in hand. Statutes sponsored by fraternalists and enacted into law chiefly through their influence have, in fact, caused most of the improvements in fraternal insurance operation.

In the legislatures of some States it has been necessary only for the representatives of the societies to appear and ask for the enactment of constructive measures. Their requests have met with prompt response. In other States they have been opposed by powerful influences supported by the commercial life insurance companies, and the fraternalists have had to fight vigorously for

what they obtained. Some of the State insurance departments have been antagonistic to fraternal societies, and it is easy to trace this antagonism to the same source from which the legislative opposition springs.

But the fraternal system possesses a powerful influence of its own. This is based on the fact that practically all of the members of such societies are voters, and when they vote together their influence at the polls is tremendous. It has been necessary in several instances to organize this influence in States where public officials were not giving fraternalism fair treatment. Another factor of the influence exerted by the societies is in the fact that fraternalists are often very active in politics. Some of the societies claim as members United States senators, governors, congressmen and State legislators. The author has in mind the legislature of one State in which all the members of both Senate and House were members of one or more of the established fraternal benefit societies.

Organized fraternalism takes little interest in legislation which has no effect on the operation of societies, but representatives of the system keep in close touch with National legislation at Washington, but their interest is directed mainly to obtaining exemptions from taxation and for maintaining the second-class mailing privileges for the official society journals. Recently the societies have waged a strong fight against social and government insurance. There is an element of danger to the future operation of fraternal benefit societies in such insurance, but their opposition is based on the desire to conserve American initiative and freedom. Several million members are convinced that socialistic and paternalistic legislation is a menace to them and their children, and their opposition is expressed through the societies.

Besides the results attained in extending the field of the New York Conference Bill, legislative representatives of fraternalism have obtained laws in a majority of the States since 1916 which permit the societies to write juvenile insurance. This measure is known as the Whole Family Protection Bill, because it enables all the members of a family to secure protection in a benefit society. **This movement is described in detail in another chapter.**

CHAPTER VIII

THE NEW YORK CONFERENCE BILL

The complete text of the New York Conference Bill is given in this chapter. This is the form in which it has been approved by the various organizations responsible for its drafting. The legislatures of some of the States in which it has been enacted into law have made minor changes, but the most important provisions have been retained intact. As originally adopted by the National Convention of Insurance Commissioners at Mobile, Ala., September 28, 1910, the bill was concurred in by the conference committees representing the Associated Fraternities of America and the National Fraternal Congress. It was called the Mobile Bill.

The National Convention of Insurance Commissioners, in conference December 11th and 12th, 1911, with representatives of the National Fraternal Congress and the Associated Fraternities of America, confirmed corrections in the bill as printed at Mobile, and also agreed upon two changes.

At the meeting of the National Convention of Insurance Commissioners in New York City, December 3rd and 4th, 1912, various amendments were considered. Amendments to Sections 23a and 29, and a new Section, 23b, were unanimously adopted by the Convention and unanimously approved and recommended for enactment into law by the representatives of the National Fraternal Congress, Associated Fraternities of America and the Federated Fraternities in conference with the commissioners.

To distinguish this from the original Mobile Bill it has been agreed to call it the New York Conference Bill.

A BILL

For the Regulation and Control of Fraternal Benefit Societies (Caption and Enacting Clause to Conform to Requirements of State Where Introduced.)

Section 1. (Fraternal Benefit Societies Defined.) Any corporation, society, order or voluntary association, without capital stock, organized and carried on solely for the mutual benefit of its members and their beneficiaries, and not for profit, and having a lodge system with ritualistic form of work and representative form of government, and which shall make provision for the payment of benefits in accordance with Section 5 hereof, is hereby declared to be a Fraternal Benefit Society.

Section 2. (Lodge System Defined.) Any society having a supreme governing or legislative body and subordinate lodges or branches by whatever name known, into which members shall be elected, initiated and admitted in accordance with its constitution, laws, rules, regulations and prescribed ritualistic ceremonies, which subordinate lodges or branches shall be required by the laws of such society to hold regular or stated meetings at least once in each month, shall be deemed to be operating on the lodge system.

Section 3. (Representative Form of Government Defined.) Any such society shall be deemed to have a representative form of government when it shall provide in its constitution and laws for a supreme legislative or governing body, composed of representatives elected either by the members or by delegates elected directly or indirectly by the members, together with such other members as may be prescribed by its constitution and laws; provided, that the elective members shall constitute a majority in number and have not less than two-thirds of the votes, nor less than the votes required to amend its constitution and laws; and provided further, that the meetings of the Supreme or governing body, and the election of officers, repre-

sentatives or delegates shall be held as often as once in four years. The members, officers, representatives or delegates of a fraternal benefit society shall not vote by proxy.

Section 4. (Exemptions.) Except as herein provided, such societies shall be governed by this Act, and shall be exempt from all provisions of the insurance laws of this State, not only in governmental relations with the State, but for every other purpose, and no law hereafter enacted shall apply to them, unless they be expressly designated therein.

Section 5. (Benefits.) Subsection 1. Every Society transacting business under this act shall provide for the payment of death benefits, and may provide for the payment of benefits in case of temporary or permanent physical disability, either as the result of disease, accident or old age; provided, the period of life at which the payment of benefits for disability on account of old age shall commence, shall not be under seventy years, and may provide for monuments or tombstones to the memory of its deceased members, and for the payment of funeral benefits. Such Society shall have the power to give a member, when permanently disabled or on attaining the age of seventy, all, or such portion of the face value of his certificate as the laws of the Society may provide; provided, that nothing in this act contained shall be so construed as to prevent the issuing of benefit certificates for a term of years less than the whole of life which are payable upon the death or disability of the member occurring within the term for which the benefit certificate may be issued. Such Society, shall, upon written application of the member, have the power to accept a part of the periodical contributions in cash, and charge the remainder, not exceeding one-half of the periodical contribution, against the certificate with interest payable or compounded annually at a rate not lower than four per cent. per annum; provided, that this privilege shall not be granted except to Societies which have readjusted or may hereafter readjust their rates of contributions, and to contracts affected by such readjustment.

Subsection 2. Any Society which shall show by the annual valuation hereinafter provided for that it is accumulating and maintaining the reserve not lower than the usual reserve com-

puted by the American Experience Table and four per cent. interest, may grant to its members extended and paid-up protection, or such withdrawal equities as its constitution and laws may provide; provided, that such grants shall in no case exceed in value the portion of the reserve to the credit of such members to whom they are made.

Section 6. (Beneficiaries.) The payment of death benefits shall be confined to wife, husband, relative by blood to the fourth degree, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather, stepmother, stepchildren, children by legal adoption, or to a person or persons dependent upon the member; provided, that if after the issuance of the original certificate the member shall become dependent upon an incorporated charitable institution, he shall have the privilege with the consent of the society, to make such institution his beneficiary. Within the above restrictions each member shall have the right to designate his beneficiary, and, from time to time, have the same changed in accordance with the laws, rules or regulations of the society, and no beneficiary shall have or obtain any vested interest in the said benefit until the same has become due and payable upon the death of the said member; provided, that any society may, by its laws, limit the scope of beneficiaries within the above classes.

Section 7. (Qualifications for Membership.) Any society may admit to beneficial membership any person not less than sixteen and not more than sixty years of age, who has been examined by a legally qualified physician, and whose examination has been supervised and approved in accordance with the laws of the society; provided, that any beneficiary member of such society who shall apply for a certificate providing for disability benefits, need not be required to pass an additional medical examination therefor. Nothing herein contained shall prevent such society from accepting general or social members.

Section 8. (Certificate.) Every certificate issued by any such society shall specify the amount of benefit provided thereby, and shall provide that the certificate, the charter or articles of incorporation, or, if a voluntary association, the articles of association, the constitution and laws of the society and the

application for membership and medical examination, signed by the applicant, and all amendments to each thereof, shall constitute the agreement between the society and the member, and copies of the same certified by the secretary of the society, or corresponding officer, shall be received in evidence of the terms and conditions thereof, and any changes, additions or amendments to said charter or articles of incorporation, or articles of association, if a voluntary association, constitution or laws duly made or enacted subsequent to the issuance of the benefit certificate shall bind the member and his beneficiaries, and shall govern and control the agreement in all respects the same as though such changes, additions or amendments had been made prior to and were in force at the time of the application for membership.

Section 9. (Funds.) Subsection 1. Any society may create, maintain, invest, disburse and apply an emergency, surplus or other similar fund in accordance with its laws. Unless otherwise provided in the contract, such funds shall be held, invested, and disbursed for the use and benefit of the society, and no member or beneficiary shall have or acquire individual rights therein or become entitled to any apportionment or the surrender of any part thereof, except as provided in subsection 2 of section 5 of this act. The funds from which benefits shall be paid and the funds from which the expenses of the society shall be defrayed, shall be derived from periodical or other payments by the members of the society and accretions of said funds; provided, that no Society shall hereafter be incorporated which does not provide for stated periodical contributions sufficient to provide for meeting the mortuary obligations contracted, when valued upon the basis of the National Fraternal Congress Table of Mortality as adopted by the National Fraternal Congress, August 23, 1899, or any higher standard with interest assumption not more than four per cent. per annum, nor shall any such society be admitted to transact business in this state which does not provide for stated periodical contributions sufficient to provide for meeting the mortuary obligations contracted when valued upon one of the bases named in Section 23a of this bill and applicable thereunder to such society. No society, domestic or foreign, shall

hereafter be incorporated or admitted to write or accept members for permanent disability benefits except upon tables based upon reliable experience with an interest assumption not higher than four per cent.

Subsection 2. Deferred payments or installments of claims shall be considered as fixed liabilities on the happening of the contingency upon which such payments or installments are thereafter to be paid. Such liability shall be the present value of such future payments or installments upon the rate of interest and mortality assumed by the society for valuation, and every society shall maintain a fund sufficient to meet such liability regardless of proposed future collections to meet any such liabilities.

Section 10. (Investments.) Every society shall invest its funds only in securities permitted by the laws of this State for the investment of the assets of life insurance companies; provided, that any foreign society permitted or seeking to do business in this State, which invests its funds in accordance with the laws of the State in which it is incorporated, shall be held to meet the requirements of this act for the investment of funds.

Section 11. (Distribution of Funds.) Every provision of the laws of the society for payment by members of such society, in whatever form made, shall distinctly state the purpose of the same and the proportion thereof which may be used for expenses, and no part of the money collected for mortuary or disability purposes or the net accretions of either or any of said funds shall be used for expenses.

Section 12. (Organization.) Seven or more persons, citizens of the United States, and a majority of whom are citizens of this State, who desire to form a Fraternal Benefit Society, as defined by this act, may make and sign (giving their addresses) and acknowledge before some officer competent to take acknowledgment of deeds, articles of incorporation, in which shall be stated:

1st. The proposed corporate name of the society, which shall not so closely resemble the name of any society or insurance company already transacting business in this State as to mislead the public or to lead to confusion:

2nd. The purpose for which it is formed—which shall not include more liberal powers than are granted by this act, provided that any lawful social, intellectual, educational, charitable, benevolent, moral or religious advantages may be set forth among the purposes of the society—and the mode in which its corporate powers are to be exercised:

3rd. The names, residences and official titles of all the officers, trustees, directors or other persons who are to have and exercise the general control and management of the affairs and funds of the society for the first year or until the ensuing election at which all such officers shall be elected by the supreme legislative or governing body, which election shall be held not later than one year from the date of the issuance of the permanent certificate.

Such articles of incorporation and duly certified copies of the constitution and laws, rules and regulations, and copies of all proposed forms of benefit certificates, applications therefor and circulars to be issued by such society, and a bond in the sum of five thousand dollars, with sureties approved by the Superintendent of Insurance, conditioned upon the return of the advance payments, as provided in this section, to applicants, if the organization is not completed within one year, shall be filed with the Superintendent of Insurance, who may require such further information as he deems necessary, and if the purposes of the society conform to the requirements of this act, and all provisions of law have been complied with, the Superintendent of Insurance shall so certify and retain and record (or file), the articles of incorporation, and furnish the incorporators a preliminary certificate authorizing said society to solicit members as hereinafter provided.

Upon receipt of said certificate from the Superintendent of Insurance, said society may solicit members for the purpose of completing its organization and shall collect from each applicant the amount of not less than one regular monthly payment, in accordance with its table of rates as provided by its constitution and laws, and shall issue to each such applicant a receipt for the amount so collected. But no such society shall incur any liability other than for such advanced payments, nor issue any benefit certificate nor pay or allow, or

offer or promise to pay or allow, to any person any death or disability benefit until actual bona fide applications for death benefit certificates have been secured upon at least five hundred lives for at least one thousand dollars each, and all such applicants for death benefits shall have been regularly examined by legally qualified practicing physicians, and certificates of such examinations have been duly filed and approved by the chief medical examiner of such society; nor until there shall be established ten subordinate lodges or branches into which said five hundred applicants have been initiated; nor until there has been submitted to the Superintendent of Insurance, under oath of the president and secretary, or corresponding officers of such society, a list of such applicants, giving their names, addresses, date examined, date approved, date initiated, name and number of the subordinate branch of which each applicant is a member, amount of benefits to be granted, rate of stated periodical contributions, which shall be sufficient to provide for meeting the mortuary obligation contracted, when valued for death benefits upon the basis of the National Fraternal Congress Table of Mortality, as adopted by the National Fraternal Congress August 23, 1899, or any higher standard at the option of the society, and for disability benefits by tables based upon reliable experience and for combined death and permanent total disability benefits by tables based upon reliable experience, with an interest assumption not higher than four per cent. per annum; nor until it shall be shown to the Superintendent of Insurance by the sworn statement of the treasurer, or corresponding officer of such society, that at least five hundred applicants have each paid in cash at least one regular monthly payment as herein provided per one thousand dollars of indemnity to be effected, which payments in the aggregate shall amount to at least twenty-five hundred dollars; all of which shall be credited to the mortuary or disability fund on account of such applicants, and no part of which may be used for expenses.

Said advanced payments shall, during the period of organization, be held in trust, and, if the organization is not completed within one year as hereinafter provided, returned to said applicants.

The Superintendent of Insurance may make such examination and require such further information as he deems advisable, and, upon presentation of satisfactory evidence that the society has complied with all the provisions of law, he shall issue to such society a certificate to that effect. Such certificate shall be *prima facie* evidence of the existence of such society at the date of such certificate. The Superintendent of Insurance shall cause a record of such certificate to be made and a certified copy of such record may be given in evidence with like effect as the original certificate.

No preliminary certificate granted under the provisions of this section shall be valid after one year from its date or after such further period, not exceeding one year, as may be authorized by the Superintendent of Insurance, upon cause shown; unless the five hundred applicants herein required have been secured and the organization has been completed as herein provided; and the articles of incorporation and all proceedings thereunder shall become null and void in one year from the date of said preliminary certificate, or at the expiration of said extended period, unless such society shall have completed its organization and commenced business as herein provided. When any domestic society shall have discontinued business for the period of one year, or has less than 400 members, its charter shall become null and void.

Every such society shall have the power to make a constitution and by-laws for the government of the society, the admission of its members, the management of its affairs and the fixing and readjusting of the rates of contribution of its members from time to time; and it shall have the power to change, alter, add to or amend such constitution and by-laws and shall have such other powers as are necessary and incidental to carrying into effect the objects and purposes of the society.

Section 13. (Powers Retained—Reincorporation—Amendments.) Any society now engaged in transacting business in this State may exercise, after the passage of this act, all of the rights conferred thereby, and all of the rights, powers and privileges now exercised or possessed by it under its charter or articles of incorporation not inconsistent with this act, if incorporated; or, if it be a voluntary association, it may in-

corporate hereunder. But no society already organized shall be required to reincorporate hereunder, and any such society may amend its articles of incorporation from time to time in the manner provided therein or in its constitution and laws, and all such amendments shall be filed with the Superintendent of Insurance and shall become operative upon such filing, unless a later time be provided in such amendments or in its articles of incorporation, constitution or laws.

Section 14. (Mergers and Transfers.) No domestic society shall merge with or accept the transfer of the membership or funds of any other society unless such merger or transfer is evidenced by a contract in writing, setting out in full the terms and conditions of such merger or transfer, and filed with the Superintendent of Insurance of this State, together with a sworn statement of the financial condition of each of said societies, by its president and secretary, or corresponding officers, and a certificate of such officers, duly verified under oath of said officers of each of the contracting societies, that such merger or transfer has been approved by a vote of two-thirds of the members of the supreme legislative or governing body of each of said societies.

Upon the submission of said contract, financial statements and certificates, the Superintendent of Insurance shall examine the same, and, if he shall find such financial statements to be correct and the said contract to be in conformity with the provisions of this section, and that such merger or transfer is just and equitable to the members of each of said societies, he shall approve said merger or transfer, issue his certificate to that effect and thereupon the said contract of merger or transfer shall be of full force and effect.

In case such contract is not approved, the fact of its submission and its contents shall not be disclosed by the Superintendent of Insurance.

Section 15. (Annual License.) Societies which are now authorized to transact business in this State may continue such business until the first day of April next succeeding the passage of this Act, and the authority of such societies may thereafter be renewed annually, but in all cases to terminate on the first day of the succeeding April; provided, however, the

license shall continue in full force and effect until the new license be issued or specifically refused. For each such license or renewal the society shall pay the Superintendent of Insurance dollars. A duly certified copy or duplicate of such license shall be *prima facie* evidence that the licensee is a Fraternal Benefit Society within the meaning of this act.

Section 16. (Admission of Foreign Society.) No foreign society now transacting business organized prior to the passage of this Act, which is not now authorized to transact business in this State, shall transact any business herein without a license from the Superintendent of Insurance. Any such society shall be entitled to a license to transact business within this State upon filing with the Superintendent a duly certified copy of its charter or articles of association; a copy of its constitution and laws, certified by its secretary or corresponding officer; a power of attorney to the Superintendent as herein-after provided; a statement of its business under oath of its president and secretary, or corresponding officers, in the form required by the Superintendent, duly verified by an examination made by the supervising insurance official of its home State or other State satisfactory to the Superintendent of Insurance of this State; a certificate from the proper official in its home State, province or country, that the society is legally organized; a copy of its contract, which must show that benefits are provided for by periodical, or other payments by persons holding similar contracts; and upon furnishing the Superintendent such other information as he may deem necessary to a proper exhibit of its business and plan of working, and upon showing that its assets are invested in accordance with the laws of the State, territory, district, province or country where it is organized, he shall issue a license to such society to do business in this State until the first day of the succeeding April, and such license shall, upon compliance with the provisions of this Act, be renewed annually, but in all cases to terminate on the first day of the succeeding April; provided, however, that license shall continue in full force and effect until the new license be issued or specifically refused. Any foreign society desiring admission to this State, shall have

the qualifications required of domestic societies organized under this Act, upon a valuation by any one of the standards authorized in section 23a of this Act, and have its assets invested as required by the laws of the State, territory, district, country, or province where it is organized. For each such license or renewal the society shall pay the superintendent dollars. When the Superintendent refuses to license any society, or revokes its authority to do business in this State, he shall reduce his ruling, order or decision to writing and file the same in his office, and shall furnish a copy thereof, together with a statement of his reason, to the officers of the society, upon request, and the action of the Superintendent shall be reviewable by proper proceedings in any court of competent jurisdiction within the State; provided, however, that nothing contained in this or the preceding section shall be taken or construed as preventing any such society from continuing in good faith all contracts made in this State during the time such society was legally authorized to transact business herein.

Section 17. (Power of Attorney and Service of Process.) Every society, whether domestic or foreign, now transacting business in this State shall, within thirty days after the passage of this Act, and every such society hereafter applying for admission, shall, before being licensed, appoint in writing the Superintendent of Insurance and his successors in office to be its true and lawful attorney, upon whom all legal process in any action or proceeding against it shall be served, and in such writing shall agree that any lawful process against it which is served upon such attorney shall be of the same legal force and validity as is served upon the society and that the authority shall continue in force so long as any liability remains outstanding in this State.

Copies of such appointment, certified by said Superintendent of Insurance, shall be deemed sufficient evidence thereof and shall be admitted in evidence with the same force and effect as the original thereof might be admitted. Service shall only be made upon such attorney, must be made in duplicate upon the Superintendent of Insurance, or, in his absence upon the person in charge of his office, and shall be deemed sufficient service upon such society; provided, however, that no such

service shall be valid or binding against any such society when it is required thereunder to file its answer, pleading or defense in less than thirty days from the date of mailing the copy of such service to such society. When legal process against any such society is served upon said Superintendent of Insurance he shall forthwith forward by registered mail one of the duplicate copies prepaid and directed to its secretary or corresponding officer. Legal process shall not be served upon any such society except in the manner provided herein.

Section 18. (Place of Meeting—Location of Office.) Any domestic society may provide that the meetings of its legislative or governing body may be held in any State, district, province or territory wherein such society has subordinate branches, and all business transacted at such meetings shall be as valid in all respects as if such meetings were held in this State; but its principal office shall be located in this State.

Section 19. (No Personal Liability.) Officers and members of the Supreme, grand or any subordinate body of any such incorporated society shall not be individually liable for the payment of any disability or death benefit provided for in the laws and agreements of such society; but the same shall be payable only out of the funds of such society and in the manner provided by its laws.

Section 20. (Waiver of the Provisions of the Laws.) The constitution and laws of the society may provide that no subordinate body, nor any of its subordinate officers or members shall have the power or authority to waive any of the provisions of the laws and constitution of the society, and the same shall be binding on the society and each and every member thereof and on all beneficiaries of members.

Section 21. (Benefit not Attachable.) No money or other benefit, charity or relief or aid to be paid, provided or rendered by any such society shall be liable to attachment, garnishment or other process, or be seized, taken, appropriated or applied by any legal or equitable process or operation of law to pay any debt or liability of a member or beneficiary, or any other person who may have a right thereunder, either before or after payment.

Section 22. (Constitution and Laws—Amendment.) Every society transacting business under this act shall file with the Superintendent of Insurance a duly certified copy of all amendments of or additions to its constitution and laws within ninety days after the enactment of the same. Printed copies of the constitution and laws as amended, changed or added to, certified by the secretary or corresponding officer of the society, shall be *prima facie* evidence of the legal adoption thereof.

Section 23. (Annual Reports.) Every society transacting business in this State shall annually, on or before the first day of March, file with the Superintendent of Insurance, in such form as he may require, a statement under oath of its president and secretary or corresponding officers, of its condition and standing on the thirty-first day of December next preceding, and of its transactions for the year ending on that date, and also shall furnish such other information as the Superintendent may deem necessary to a proper exhibit of its business and plan of working. The Superintendent may at other times require any further statement he may deem necessary to be made relating to such society.

In addition to the annual report herein required, each society shall annually report to the Superintendent a valuation of its certificates in force on December 31st, last preceding; excluding those issued within the year for which the report is filed, in cases where the contributions for the first year in whole or in part are used for current mortality and expenses; provided, the first report of valuation shall be made as of December 31st, 1912. Such report of valuation shall show, as contingent liabilities, the present mid-year value of the promised benefits provided in the constitution and laws of such society under certificates then subject to valuation; and, as contingent assets, the present mid-year value of the future net contributions provided in the constitution and laws as the same are in practice actually collected. At the option of any society, in lieu of the above, the valuation may show the net value of the certificates subject to valuation hereinbefore provided, and said net value, when computed in case of monthly contributions, may be the mean of the terminal values for the end of the preceding and of the current insurance years.

Such valuation shall be certified by a competent accountant or actuary, or, at the request and expense of the society, verified by the actuary of the department of insurance of the home state of the society, and shall be filed with the Superintendent within ninety days after the submission of the last preceding annual report. The legal minimum standard of valuation for all certificates, except for disability benefits, shall be the National Fraternal Congress Table of Mortality as adopted by the National Fraternal Congress August 23, 1899, or, at the option of the society, any higher table; or, at its option, it may use a table based upon the society's own experience of at least twenty years and covering not less than one hundred thousand lives with interest assumption not more than four per centum per annum. Each such valuation report shall set forth clearly and fully the mortality and interest basis and the method of valuation. Any society providing for disability benefits shall keep the net contributions for such benefits in a fund separate and apart from all other benefit and expense funds and the valuation of all other business of the society; provided, that where a combined contribution table is used by a society for both death and permanent total disability benefits, the valuation shall be according to tables of reliable experience and in such case a separation of the funds shall not be required.

The valuation herein provided for shall not be considered or regarded as a test of the financial solvency of the society, but each society shall be held to be legally solvent so long as the funds in its possession are equal to or in excess of its matured liabilities.

Beginning with the year 1914 a report of such valuation and an explanation of the facts concerning the condition of the society thereby disclosed shall be printed and mailed to each beneficiary member of the society not later than June 1st of each year; or, in lieu thereof, such report of valuation and showing of the society's condition as thereby disclosed may be published in the society's official paper and the issue containing the same mailed to each beneficiary member of the society. The laws of such society shall provide that if the stated periodical contributions of the members are insufficient to pay all matured death and disability claims in full, and to

provide for the creation and maintenance of the funds required by its laws, additional, increased or extra rates of contribution shall be collected from the members to meet such deficiency; and such laws may provide that, upon the written application or consent of the member, his certificate may be charged with its proportion of any deficiency disclosed by valuation, with interest not exceeding five per centum per annum.

Section 23 a. (Provisions to Insure Future Security.) If the valuation of the certificates, as hereinbefore provided, on December 31, 1917, shall show that the present value of future net contributions, together with the admitted assets, is less than the present value of the promised benefits and accrued liabilities, such society shall thereafter maintain said financial condition at each succeeding triennial valuation in respect of the degree of deficiency as shown in the valuation as of December 31, 1917. If at any succeeding triennial valuation such society does not show at least the same condition, the Superintendent shall direct that it thereafter comply with the requirements herein specified. If the next succeeding triennial valuation after the receipt of such notice shall show that the society has failed to maintain the condition required herein, the Superintendent may, in the absence of good cause shown for such failure, institute proceedings for the dissolution of such society, in accordance with the provision of Sec. 24 of this Act, or in the case of a foreign society, its license may be cancelled in the manner provided in this Act.

Any such society, shown by any triennial valuation, subsequent to December 31, 1917, not to have maintained the condition herein required, shall, within two years thereafter, make such improvement as to show a percentage of deficiency not greater than as of December 31, 1917, as thereafter, as to all new members admitted, be subject, so far as stated rates of contributions are concerned, to the provisions of Section 12 of this Act, applicable in the organization of new societies; provided that the net mortuary or beneficiary contributions and funds of such new members shall be kept separate and apart from the other funds of the society. If such required improvement is not shown by the succeeding triennial valuation, then the said new members may be placed in a separate class

and their certificates valued as an independent society in respect of contributions and funds.

Section 23-b. In lieu of the requirements of sections 23 and 23a, any society accepting in its laws the provisions of this section may value its certificates on a basis, herein designated "accumulation basis," by crediting each member with the net amount contributed for each year and with interest at approximately the net rate earned and by charging him with his share of the losses for each year, herein designated "cost of insurance" and carrying the balance, if any, to his credit. The charge for the cost of insurance may be according to the actual experience of the society applied to a table of mortality recognized by the law of this state, and shall take into consideration the amount at risk during each year, which shall be the amount payable at death less the credit to the member. Except as specifically provided in its articles or laws or contracts no charge shall be carried forward from the first valuation hereunder against any member for any past share of losses exceeding the contributions and credit. If, after the first valuation, any member's share of losses for any year exceeds his credit including the contribution for the year, the contribution shall be increased to cover his share of the losses, and if the credit at the time any benefit becomes payable during the lifetime of the member, including any available funds does not equal such benefit, the contributions to be made by him or on his behalf shall be increased by the difference. Any such excess share of losses chargeable to any member may be paid out of a fund or contributions especially created or required for such purpose.

Any member may transfer to any plan adopted by the society with net rates on which tabular reserves are maintained and on such transfer shall be entitled to make such application of his credit as provided in the laws of the society.

Certificates issued, rerated or readjusted on a basis providing for adequate rates with adequate reserves to mature such certificates upon assumptions for mortality and interest recognized by the law of this state shall be valued on such basis, herein designated the "Tabular Basis;" provided that if on the first valuation under this section a deficiency in reserve shall be shown for any such certificate, the same shall be valued on the accumulation basis.

Whenever in any society having members upon the tabular basis and upon the accumulation basis, the total of all costs of insurance provided for any year shall be insufficient to meet the actual death and disability losses for the year, the deficiency shall be met for the year from the available funds after setting aside all credits in the reserve; or from increased contributions or by an increase in the number of assessments applied to the society as a whole or to classes of members as may be specified in its laws. Savings from a lower amount of death losses may be returned in like manner as may be specified in its laws.

If the laws of the society so provide, the assets representing the reserves of any separate class of members may be carried separately for such class as if in an independent society, and the required reserve accumulation of such class so set apart shall not thereafter be mingled with the assets of other classes of the society.

A table showing the rates being paid by and the credits to individual members at each age and year of entry, and showing opposite each credit the tabular rates and the tabular reserve required, or at the option of the society the required reserve on a level rate equivalent to that being paid, according to assumptions for mortality and interest recognized by the laws of this state and adopted by the society, and, in either case, including any benefit payable at a specified age or on account of old age disability shall be filed by the society with each annual report and also be furnished to each member before July 1st of each year.

In lieu of the aforesaid statement there may be furnished to each member within the same time a statement giving the data aforesaid for such member. No table or statement need be made or furnished when the reserves are maintained on the tabular basis.

For this purpose, individual bookkeeping accounts for each member shall not be required and all calculations may be made by actuarial methods.

Nothing herein contained shall prevent the maintenance of such surplus over and above the credits on the accumulation basis and the reserves on the tabular basis as the society may

provide by or pursuant to its laws; nor be construed as giving to the individual member any right or claim to any such reserve or credit other than in manner as expressed in the contract and its laws; nor as making any such reserve or credits a liability in determining the legal solvency of the society.

Section 24. (Examination of Domestic Societies.) The Superintendent of Insurance, or any person he may appoint, shall have the power of visitation and examination into the affairs of any domestic society. He may employ assistants for the purpose of such examination, and he, or any person he may appoint, shall have free access to all the books, papers and documents that relate to the business of the society and may summon and qualify as witness under oath and examine its officers, agents and employees or other persons in relation to the affairs, transactions and condition of the society.

The expense of such examination shall be paid by the society examined, upon statement furnished by the Superintendent of Insurance, and the examination shall be made at least once in three years.

Whenever after examination the Superintendent of Insurance is satisfied that any domestic society has failed to comply with any provisions of this Act, or is exceeding its powers, or is not carrying out its contracts in good faith, or is transacting business fraudulently; or whenever any domestic society, after the existence of one year or more, shall have a membership of less than 400 (or shall determine to discontinue business), the Superintendent of Insurance may present the facts relating thereto to the Attorney General, who shall, if he deem the circumstances warrant, commence an action in quo warranto in a court of competent jurisdiction, and such court shall thereupon notify the officers of such society of a hearing, and if it shall then appear that such society should be closed, said society shall be enjoined from carrying on any further business and some person shall be appointed receiver of such society, and shall proceed at once to take possession of the books, papers, moneys and other assets of the society and shall forthwith, under the direction of the Court, proceed to close the affairs of the society and to distribute its funds to those entitled thereto.

No such proceedings shall be commenced by the Attorney General against any such society until after notice has been duly served on the chief executive officers of the society and a reasonable opportunity given to it, on a date to be named in said notice, to show cause why such proceedings should not be commenced.

Section 25. (Application for Receiver, etc.) No application for injunction against or proceedings for the dissolution of or the appointment of a receiver for any such domestic society or branch thereof shall be entertained by any Court in this State unless the same is made by the Attorney General.

Section 26. (Examination of Foreign Societies.) The Superintendent of Insurance, or any person whom he may appoint, may examine any foreign society transacting or applying for admission to transact business in this State. The said Superintendent may employ assistants, and he, or any person he may appoint, shall have free access to all the books, papers and documents that relate to the business of the society, and may summon and qualify as witness under oath and examine its officers, agents and employees and other persons in relation to the affairs, transactions and conditions of the society. He may, in his discretion, accept in lieu of such examination the examination of the Insurance Department of the State, territory, district, province or country where such society is organized. The actual expenses of examiners making any such examination shall be paid by the society upon statement furnished by the Superintendent of Insurance.

If any such society or its officers refuse to submit to such examination or to comply with the provisions of the section relative thereto, the authority of such society to write new business in this State shall be suspended or license refused until satisfactory evidence is furnished the Superintendent relating to the condition and affairs of the society, and during such suspension the society shall not write new business in this State.

Section 27. (No Adverse Publications.) Pending, during or after an examination or investigation of any such society, either domestic or foreign, the Superintendent of Insurance shall make public no financial statement, report or finding, nor shall he permit to become public any financial statement,

report or finding affecting the status, standing or rights of any such society, until a copy thereof shall have been served upon such society, at its home office, nor until such society shall have been afforded a reasonable opportunity to answer any such financial statement, report or finding, and to make such showing in connection therewith as it may desire.

Section 28. (Revocation of License.) When the Superintendent of Insurance on investigation is satisfied that any foreign society transacting business under this Act has exceeded its powers, or has failed to comply with any provisions of this Act, or is conducting business fraudulently, or is not carrying out its contracts in good faith, he shall notify the society of his findings, and state in writing the grounds of his dissatisfaction, and after reasonable notice require said society, on a date named, to show cause why its license should not be revoked. If on the date named in said notice such objections have not been removed to the satisfaction of the said Superintendent, or the society does not present good and sufficient reasons why its authority to transact business in this State should not at that time be revoked, he may revoke the authority of the society to continue business in this State. All decisions and findings of the Superintendent made under the provisions of this Section may be reviewed by proper proceedings in any court of competent jurisdiction, as provided in Section 16 of this act.

Section 29. (Exemption of Certain Societies.) Nothing contained in this Act shall be construed to affect or apply to grand or subordinate lodges of Masons, Odd Fellows or Knights of Pythias (exclusive of the Insurance Department of the Supreme Lodge Knights of Pythias), and the Junior Order of United American Mechanics (exclusive of the Beneficiary Degree or insurance branch of the National Council Junior Order United American Mechanics), or societies which limit their membership to any one hazardous occupation, nor to similar societies which do not issue insurance certificates, nor to an association of local lodges of a society now doing business in this State which provides death benefits not exceeding five hundred dollars to any one person, or disability benefits not exceeding three hundred dollars in any one year to any one

person, or both, nor to any contracts of reinsurance business on such plan in this State, nor to domestic societies which limit their membership to the employees of a particular city or town, designated firm, business house or corporation, nor to domestic lodges, orders or associations of a purely religious, charitable and benevolent description, which do not provide for a death benefit of more than one hundred dollars, or for disability benefits of more than one hundred and fifty dollars to any one person in any one year. The Superintendent of Insurance may require from any society such information as will enable him to determine whether such society is exempt from the provisions of this Act.

Any fraternal benefit society, heretofore organized and incorporated and operating within the definition set forth in Section 1, 2, and 3, of this Act, providing for benefits in case of death or disability resulting solely from accidents, but which does not obligate itself to pay death or sick benefits, may be licensed under the provisions of this Act, and shall have all the privileges and shall be subject to all the provisions and regulations of this Act, except that the provisions of this Act requiring medical examinations, valuations of benefit certificates, and that the certificate shall specify the amount of benefits, shall not apply to such society.

Section 30. (Taxation.) Every fraternal benefit society organized or licensed under this Act is hereby declared to be a charitable and benevolent institution, and all of its funds shall be exempt from all and every state, county, district, municipal and school tax, other than taxes on real estate and office equipment.

Section 31. (Penalties.) Any person, officer, member or examining physician of any society authorized to do business under this Act who shall knowingly or wilfully make any false or fraudulent statement or representation in or with reference to any application for membership, or for the purpose of obtaining money from or benefit in any society transacting business under this Act, shall be guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine of not less than one hundred dollars nor more than five hundred dollars, or imprisonment in the county jail for not less than thirty days

nor more than one year, or both, in the discretion of the Court; and any person who shall wilfully make a false statement of any material fact or thing in a sworn statement as to the death or disability of a certificate holder in any such society for the purpose of procuring payment of a benefit named in the certificate of such holder, and any person who shall wilfully make any false statement in any verified report or declaration under oath required or authorized by this Act, shall be guilty of perjury, and shall be proceeded against and punished as provided by the statutes of this State in relation to the crime of perjury.

Any person who shall solicit membership for, or in any manner assist in procuring membership in any Fraternal Benefit Society not licensed to do business in this State, or who shall solicit membership for, or in any manner assist in procuring membership in any such society not authorized as herein provided, to do business as herein defined in this State, shall be guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not less than fifty nor more than two hundred dollars.

Any society, or any officer, agent or employee thereof neglecting or refusing to comply with, or violating any of the provisions of this Act, the penalty for which neglect, refusal or violation is not specified in this section, shall be fined not exceeding two hundred dollars upon conviction thereof.

Section 32. All acts and parts of acts inconsistent with this act are hereby repealed.

CHAPTER IX

ANALYSIS OF THE NEW YORK CONFERENCE LAW

The important elements of the New York Conference Bill should be understood by all fraternal workers. If the purposes of those who compiled it were appreciated there would be less misunderstanding and opposition among those who are affected by its requirements. The fraternal system would have made greater progress during the period of readjustment if the members of all societies had appreciated the importance of underlying principles of safe protection which made the adoption of such a law necessary. If this knowledge had been more generally diffused among legislators, State officers and judges of our courts the advance to solvency would have been easier; the accomplishment of enduring operation would have come quicker. Sometimes ignorance is all that prevents a good measure from becoming effective. A better understanding strengthens it.

Since this measure has practically become the law of the land it is more appropriate to refer to it as the New York Conference Law. The model form is composed of thirty-two sections and three sub-sections. Looking at its divisions in a broader sense it can be subdivided into five parts, as follows: (1) Definition of fraternal benefit societies; (2) regulation and examination by the State insurance department and the procedure outlined for liquidation if necessary; (3) valuation, and the requirements to be maintained; (4) attainment of solvency through classification of members and segregation of

funds; (5) exemptions from State insurance laws, and further exemptions for certain social fraternities and those insuring only for funeral benefits from the provision applying to benefit societies. These phases of the law will be recognized in our analysis.

Definition.—The law begins with the fair and sound presumption that because fraternal benefit societies were organized and are carried on solely for the mutual benefit of their members and beneficiaries, and not for profit, they are entitled to separate treatment in the law, even though they pay insurance benefits. Therefore these features are considered necessary distinctions to maintain their status and are included in a definition (Section 1), which also states that they shall be without capital stock, that they shall have a lodge system with ritualistic form of work and representative form of government, and that the payment of benefits shall be under certain limitations and rules. Such a definition is necessary to distinguish the societies from commercial life insurance companies, as well as to prevent organizations which are not really fraternal benefit societies from masquerading as such and taking advantage of the favorable provisions and exemptions of the law. In the early history of fraternal operation the legitimate societies discovered that fraudulent and speculative enterprises were posing as fraternal societies. Their activities brought reproach upon the real fraternities. It became necessary, therefore, for the legitimate societies to seek the protection of the law, and this resulted in the enactment of a legal definition.

Moreover, the lodge system needed protection against those who imitated it without adopting the essential fraternal and ritualistic features which distinguish a real fraternity. In defining the lodge system (Section 2),

the law says that a society shall have a supreme governing or legislative body and subordinate lodges. Members shall be elected, initiated and admitted in accordance with the laws and prescribed ritualistic ceremonies. Subordinate lodges shall be required by the society to hold meetings at least once a month.

One of the chief factors of strength of the fraternal system is that the societies are controlled by a representative form of government. This means that the members control the management in every particular through their elected representatives. It also means that the officers are responsible to the members for the faithful discharge of their duties, that the members regulate the form of benefits which shall be paid, the collection of assessments and the salaries, and that this feature is self-determination in its purest form. This factor is in the main responsible for the fact that fraternal societies have conducted their business economically and have been free from most of the scandals which have afflicted commercial companies. The law deems that a society has a representative form of government when it provides for a supreme legislative or governing body composed of representatives elected by the members, or by delegates elected by the members (Section 3). It provides further that meetings of the supreme governing body and the election of officers and representatives shall be held as often as once in four years. No votes shall be by proxy.

Exemption.—Although fraternal benefit societies are entitled to issue certificates of insurance to their members the fact that they are conducted for the mutual benefit of their members without profit entitles them to special consideration by the law. Therefore, they are exempted (Section 4) from all provisions of the insurance laws of the State.

Benefits.—The benefits which a society may pay to its members and their beneficiaries are based on the sole idea of protection. Societies are not allowed to enter the business of investment or of issuing certificates with speculative features because they would thereby lose their mutual and non-profit taking character. The investment business should be left to savings banks and bond brokers, and the issuing of tontines or other features of chance should be done, when permitted by law, by the various semi-lottery companies in the business for profit. One of the chief principles of fraternity is protection. All certificates issued by societies should be only for protection. This is the attitude of the law in scheduling the benefits which fraternal benefit societies may pay (Section 5).

The New York Conference Law says that every society transacting business under the Act shall provide for the payment of death benefits. In addition, they may pay benefits for temporary or permanent physical disability, either as the result of disease, accident or old age, but old-age benefits shall not begin until the member becomes seventy years old. They may also erect monuments or tombstones to the memory of deceased members, and they may also pay funeral benefits. These are the specified benefits, and they are grounded on the principle of protection. The Law goes further to state in listing such benefits that nothing in the Act shall be so construed as to prevent the issuing of benefit certificates for a term of years. Such protection is term insurance, in which benefits would be payable only if the member died or suffered disability within the term for which the certificate was issued.

All of the above benefits are of such character that

neither the member nor the beneficiary can withdraw any of the contributions unless death or disability occur. This inherent character is maintained on the idea that protection should come first. And so it should. Man's first duty is to protect his dependents against poverty and his income against loss from accident, sickness or other incapacity. All members contribute according to the extent of the benefits they expect to draw and the contributions are used solely to meet death and disability claims after a small percentage is consumed in the cost of management.

Liens on Certificates.—The benefit section of the Act (Section 5) contains a provision which gives a society power to reduce the amount of the benefit promised as a result of readjustment of rates, but only upon written application of the member. Such reductions become liens on the certificates. After a society has operated on inadequate rates so long that the deficiencies in reserve becomes alarming, or it is confronted with the necessity of raising more money to meet the monthly disbursements to beneficiaries, it must rerate its members or go out of business. In such readjustments it becomes necessary to charge the deficiencies in reserves of old members against their certificates, and this can be wiped out by each member paying a higher rate. Sometimes the deficiency is so large, through having grown during a long period of years, that the new rate becomes exorbitant. Therefore the society is given the power to accept not less than one-half of the periodical contribution or rate payment in cash, and the remainder may be charged as a lien against the certificate with interest payable or compounded annually at not less than four per cent. If such liens are not reduced or paid up in the life time of

the member they are deducted from the benefit payments. This privilege is extended only to societies readjusting and covering only the contracts affected by such readjustments. It gives the member an opportunity, rather than lose all of his protection by reason of a higher rate than he can afford, to take the easier course of paying a lesser contribution in cash and borrowing not more than one-half such rate payments from the benefit payable later on.

This provision in practice has caused many disappointments to the beneficiaries of old members and has resulted in severe criticism of the fraternal plan of protection. But it was the lesser of two evils. It was the outgrowth of the big mistake in early operation, the mistake that was couched in the impossible plan of attempting to carry whole-life protection on a current mortality income. The whole scientific basis of whole-life protection is summed up in the fact that level premiums must be adequate to accumulate the proper reserves to meet rising mortality of later years. Mortality plays no favorites. Its immutable law is that men must die; and any society which starts on the current cost plan with the idea that rates will not increase when the members grow old is sure to suffer the penalties of this law. The longer the accumulation of a reserve is delayed, or the increase of rates is postponed, the harder will be the penalty. This is what the old members suffered. Their contributions in early years were not sufficient to build a reserve, the increase in contributions was delayed, and the result was that in old age they had to make good in what they had failed to do before. The delay made this penalty greater and almost overwhelming. The provision of this law permitting them to pay a portion of their rates in liens softened the penalty, even though it was unpopular.

Extended and Paid-Up Protection.—In the evolution of the protective feature of fraternal societies which brought them to recognize the necessity of reserve accumulations to maintain level rates they were, by reason of the adoption of the sounder plan, permitted to give their members a wider latitude in selecting forms of certificates. These include extended and paid-up protection and withdrawal equities. If a member contributes funds sufficient to create a reserve he thereby establishes a credit to his certificate. This credit is expected, by determination through actuarial computation, to equal the face of the certificate when his death is expected.

The principle underlying extended and paid-up protection is that this credit belongs to the member, or his beneficiary, and that one or the other should receive it. If a member stops paying assessments, the extended insurance clause provides that his credit shall be used to buy term insurance calculated at his attained age and terminating when the credit has been exhausted. Or the credit can be used to buy a small whole life certificate fully paid up. If a member believes that he should pay for his protection in the younger and productive years of his life, he can increase the size of the contributions, and thereby the amount of the accumulations, until the paid-up value equals the face value, subject to expected interest earnings. This provides limited-payment whole-life protection, and its most popular form is twenty-payment life. The principle is the same whether the contributions continue throughout life or are limited to a term of years, the only difference being in the amount of the accumulations.

Such paid-up and extended protection may be granted by fraternal benefit societies, according to the New York

Conference Law (Subsection 2 of Section 5), if the annual valuation shows that the society is accumulating and maintaining the usual reserve computed by the American Experience Table and four per cent. It may also give withdrawal equities. However, such grants shall in no case exceed the reserve to the credit of such members.

Beneficiaries.—Fraternal societies have always scrutinized closely the purposes for which their members are applying for insurance. It is not their office to supply credit for business deals, to provide money for the payment of a member's debts, or to do a banking business. Their ideal is to protect the persons dependent upon the member for support or in whom the member has a close interest due to relationship. Therefore the persons who may become beneficiaries under a fraternal certificate are restricted to certain degrees of relationship (Section 6). The payment of death benefits shall be confined to wife, husband, relative by blood to the fourth degree, father-in-law, mother-in-law, son-in-law, daughter-in-law, step-father, stepmother, stepchildren, children by legal adoption, or to a person or persons dependent upon the member. The only case in which a fraternal certificate can be assigned is after the issuance of the original certificate and when the member shall become dependent upon an incorporated charitable institution. In such case he may have the privilege with the consent of the society to make such institution his beneficiary. These are the extreme limits, and within them the member shall have the right to designate his beneficiary, and he may change them according to the laws of the society. The Law permits any society to restrict the beneficiaries further if it so desires. No beneficiary shall obtain any vested interest in the benefit until it becomes due and payable upon the death of the member.

Who May Become Members.—The qualifications for membership may be fixed according to any standard of social, racial, religious or occupational restriction which the members may favor, but the New York Conference Law requires that benefit certificates may be issued only to persons who are not less than sixteen and not more than sixty years of age and who have passed a competent physical examination by a legally qualified physician (Section 7). However, any beneficiary member who may apply for a certificate providing disability benefits need not pass an additional medical examination.

Benefit Certificate.—An important fact in connection with the benefit certificate is that the members of the society, by reason of the mutuality of their organization, stand in the relation of being their own insurers, as well as being the insured. Since the members compose the society, they must stand or fall with the organization. The certificate is not a contract into which the society enters as the insurer on one side and the members as the insured on the other. A fraternal benefit society is a mutual co-operative organization in which the members band together to insure one another. This factor distinguishes it from an old-line insurance policy, in which the company contracts to perform a specific act, viz., the payment of insurance, in consideration of the insured paying the premiums.

For this reason the Law provides (Section 8) that every certificate issued by any such society shall specify that the agreement shall consist of the certificate, the charter or articles of incorporation, or articles of association, the constitution and laws of the society, and the application for membership and the medical examination, and all amendments to each. In addition, any changes,

additions or amendments to the charter or articles of incorporation, constitution or laws duly made or enacted subsequent to the issuance of the benefit certificate shall bind the member and his beneficiaries, and shall govern and control the agreement in all respects the same as though they had been made prior to and were in force at the time of the application for membership.

We see by the above that mutuality imposes its responsibilities upon the member at the same time it confers its benefits. The members govern their organization in every respect, and it is only just and right that they should be subject to the laws, rules and regulations which they create. This principle has been emphasized in decisions of our courts of law. Members have sued their societies on the ground that the certificate was a contract entered into on the same basis as with a stranger and therefore the society was obligated to act as specified in the original agreement without regard to subsequent amendments to its laws. But the courts have held that subsequent changes are binding.

Adequate Reserve Fund.—The New York Conference Law makes a distinction between societies which are already incorporated in the State, or already admitted, and those which may be incorporated or admitted after the law went into effect in regard to the maintenance of an adequate reserve fund. It says (Section 9) that any society may create, maintain, invest, disburse and apply an emergency, surplus or similar fund in accordance with its laws. Of course such laws must conform to the laws of the State. Such funds shall be held, invested and disbursed for the use and benefit of the society, and no member or beneficiary shall have or acquire individual rights therein or become entitled to any surrender or ap-

portionment of any part thereof, except as provided in Subsection 2 of Section 5, already explained, which gives the society the right to grant extended and paid-up protection and withdrawal equities on the American Experience Table of Mortality.

The distinction mentioned between the two classes of societies is one which requires that after the passage of the law no society shall thereafter be incorporated which does not provide for rates adequate to meet the mortuary obligations contracted when valued upon the basis of the National Fraternal Congress Table of Mortality, or any higher standard with interest assumption not more than four per cent. per annum. In other words, a new society must collect N. F. C. or higher rates from the beginning. And outside societies seeking admission to do business in the State must meet the valuation requirements of Section 23a of the New York Conference Bill before they will be admitted, which works out practically the same as the requirement for new societies. In addition, the Law prescribes practically the same rules for new societies or those seeking admission to write members for total disability benefits. No requirements for adequate rates are made in Section 9 for societies already incorporated or admitted, but provisions to insure future security and plans for attaining actuarial solvency are incorporated in Sections 23a and 23b.

Deferred Payment of Benefits.—When a society undertakes to pay benefits in installments the Law regards (Subsection 2 of Section 9) such payments as fixed liabilities on the happening of the contingency upon which such payments are thereafter to be made. This refers especially to monthly income insurance for beneficiaries and old-age or permanent disability payments to the

members. Upon the death, disability or attainment of the proper old-age, a certain sum becomes a fixed liability. Such a sum must be sufficient to guarantee that all the installments will be paid in full, and it is computed at the present value upon the rate of interest and mortality assumed by the society for valuation. By following this provision of the Law the society sets aside a certain sum which, with the addition of the interest factor or mortality, or both, depending whether the payments are for beneficiaries or old-age or permanent disability benefits, will equal the total claim. It is maintained as a segregated fund and cannot be touched for other purposes, whether for expense or mortuary payments.

Investments.—The New York Conference Law provides that the same regulations in force for the investment of funds by life insurance companies shall apply to fraternal benefit societies, but a society incorporated in any other State, which invests its funds in accordance with the laws of that State, shall be held to meet the requirements of the Act (Section 10).

Safeguard for the Benefit Fund.—The funds which fraternal benefit societies collect and hold for mortuary and disability purposes are hedged about with careful restrictions. This law requires that every provision of the laws of the society regarding contributions of the members shall state distinctly the purposes of the same and the proportion which may be used for expenses. Thus, when a member pays an assessment he is assured that the portion which is for benefits will be used solely for that purpose. The portion which is for expenses is all that the society can use for expense purposes. The law says further (Section 11) that no part of the money collected for mortuary or disability purposes, or the interest

accretions earned by the fund, shall be used for expenses.

Method of Organizing a Society.—The requirements of the Law to which the organizer of a new society must conform are based upon the constructive purpose of the Act to have all societies on a sound and enduring foundation. A new society must adopt all of the beneficial factors of operation which many of the old societies can only hope to attain through readjustment. A new society must collect adequate rates from the start, it must complete its permanent organization within a year, and it must follow a specified procedure and submit to thorough examination by the State insurance department. These provisions of the law are not for the purpose of discouraging the founding of new societies. They simply prevent fraud against those who apply for membership and pay assessments to the organizers. The chief effect of such provisions is to make the organizers sure that they want to carry through their plans.

Seven or more citizens of the United States, a majority of whom are also citizens of the State, may incorporate a fraternal benefit society by making, signing and acknowledging the articles of incorporation before some officer competent to take acknowledgment of deeds (Section 12). In the articles of incorporation shall be stated the proposed name of the society, the purpose for which it is formed, the mode in which its corporate powers are to be exercised, and the names, residences and official titles of all the officers, trustees, directors or other persons who are to control and manage the affairs and funds for the first year or until the ensuing election. This election shall be held not later than one year from the date of the issuance of the permanent certificate, and it shall be held by the supreme legislative or governing body.

The State insurance department is given supervision from the beginning over the organizing of a new society. The articles of incorporation and duly certified copies of the constitution and laws, rules and regulations, and all proposed forms of benefit certificates, applications and circulars, and a bond in the sum of five thousand dollars must be filed with the superintendent of insurance. And he may require such other information as he deems necessary. If the purposes of the society conform to the requirements of the Act, and all provisions of the law have been complied with, the superintendent shall furnish the incorporators a preliminary certificate authorizing the society to solicit members.

In completing its membership the society must collect at least one monthly payment from at least five hundred applicants for at least one thousand dollars of insurance each, and a medical examination of each applicant must be approved by the chief medical examiner; it must establish ten subordinate lodges into which the applicants must be initiated; it must collect at least twenty-five hundred dollars from the five hundred or more applicants, all of such amount to be credited to the mortuary or disability fund on the account of such applicants, and no part of which may be used for expenses; and the president and secretary must furnish under oath to the superintendent of insurance a list of such applicants with essential facts regarding their admission, amount of benefits to be granted, and the rate of stated periodical contributions, which shall be based on the National Fraternal Congress Table of Mortality, or any higher table. Upon presentation of this and other satisfactory evidence that the society has complied with all the provisions of the law to the superintendent of insurance he shall issue a certificate that

such a society exists and is entitled to operate. During this period the advanced payments of the applicants are held in trust, and if the organization is not completed within one year, they are to be returned to the applicants. During this period also the society is under no liability to the members exceeding the advanced payments.

The author desires to emphasize here that although the superintendent of insurance is given power by the New York Conference Law to require complete and satisfactory assurance that all provisions of the Act are complied with, and he may make further examinations to satisfy himself on this point, he may not dictate to the society what it shall or shall not do. He is not permitted to govern the operations, legislation or administration of a society. The society itself, through the constitution and by-laws it has itself made according to law, prescribes the government of the organization, the admission of its members, the management of its affairs and the fixing and readjusting of its rates; and it shall have the power to change, alter, add to or amend its constitution and by-laws, and it shall have such other powers as are necessary and incidental to carrying into effect the objects and purposes of the society.

Powers Retained by Established Societies.—Societies transacting business in the State at the time of the adoption of the New York Conference Bill are not disturbed in the rights, powers and privileges not inconsistent with the Act exercised or possessed under their charters or articles of incorporation. No society already organized shall be required to reincorporate. But amendments may be made to articles of incorporation, and these shall be filed with the superintendent of insurance. (Section 13.)

Mergers.—Societies may merge or transfer their memberships under certain rules and a specified procedure. Such mergers or transfers must be evidenced by a contract in writing, setting out in full the terms and conditions, and this must be filed with the superintendent of insurance. The merger must be approved by a vote of two-thirds of the members of the supreme legislative or governing body of each society. This must be attested by the officers in a certificate filed with the State department, as well as a sworn statement of financial condition of each society. If the superintendent finds all of these to be in conformity with the law, and that the merger or transfer is just and equitable to the members of each society, he shall approve the contract and issue a certificate to that effect. (Section 14.)

Licenses.—A license to operate is given each society upon the payment of a fee, and this license must be renewed on the first day of April of each year. (Section 15.)

Admission of Foreign Societies.—A foreign society is one incorporated and having its home office in another State, Province or Country. It may secure a license to operate in a State under the New York Conference Bill by filing with the superintendent of insurance the proper documents, which include copies of essential articles, laws and regulations, statements of finances and membership, and a certificate from the superintendent of the home State (Section 16). The license is renewable on the first day of April of each year.

Foreign societies shall have the qualifications required of domestic societies organized under the Act, which are determined by valuation, and their assets shall be invested according to the laws of the home State. This means

that a society incorporated in a State which does not require valuation and the standards for actuarial solvency must, if it desires to operate in States having the New York Conference Bill, conform to the provisions of the Bill.

A fee is required for the license or a renewal. While it terminates on the first day of April and must be renewed annually, it continues in full force and effect until a new license is issued or specifically refused. A revocation of license or refusal to renew by the superintendent must be reduced to writing, and he shall furnish a copy of the same with a statement of his reason to the officers of the society, and this action is reviewable by proper proceedings in any court of competent jurisdiction in the State. Should a license be refused or revoked the Law gives the society the right to continue in good faith all contracts made in the State when it was legally authorized to transact business therein.

Service of Process Upon Societies.—All societies, domestic and foreign, are required to appoint the superintendent of insurance the attorney upon which all legal process in actions or proceedings against them shall be served in duplicate. When served with such process he shall forthwith forward one of the copies by registered mail to the secretary or corresponding officer. (Section 17.)

Meeting Place of Supreme Lodge.—The supreme governing body of a domestic society may hold its meetings in any State, district, province or territory where it has subordinate lodges (Section 18). All business transacted at such meetings shall be as valid as if they were held in the State in which the society is incorporated. But the principal office of a domestic society shall be located in the State in which it is incorporated.

Officers Not Personally Liable for Benefits.—Death and disability benefits are payable only out of the funds of the society and in the manner provided by its laws (Section 19). Officers and members of the supreme, grand or subordinate body of any society shall not be individually liable for the payment of such benefits.

Laws Cannot Be Waived.—No subordinate lodge and no subordinate officer or member shall have the power or authority to waive any of the provisions of the constitution and laws of the society, if the society's laws so provide. (Section 20.)

Benefits Not Attachable.—All benefits paid by a fraternal society are inviolate against legal seizure (Section 21), to pay any debt or liability of a member or beneficiary. This applies most often in the case of a member dying insolvent; the benefits payable to his beneficiaries cannot be seized to pay the member's debts.

Filing of Amendments.—All amendments of or additions to the constitution and by-laws of a society must be filed with the superintendent of insurance within ninety days of the enactment of the same (Section 22).

Annual Reports.—An annual report must be made to the superintendent of insurance by every society transacting business in the State on or before the first day of March. This report shall show its condition and standing on the preceding thirty-first day of December, and of its transactions for the year ending on that date (Section 23). Such reports are now practically uniform in all States. The blanks are prepared by a committee of the National Convention of Insurance Commissioners, and the purpose is not only to secure uniformity in reporting, but to hasten the day when operation of fraternal benefit societies shall be uniform throughout the United States.

Valuation.—This subject, because of the fact that fraternal benefit societies have been required to make progress towards solvency and future security upon the showings of valuation, has been the cause of intense discussion in fraternal circles of the United States and Canada. It has been misunderstood, and the principle of valuation has been condemned by many who would have profited by a knowledge of its purposes. A simple explanation of valuation will show its necessity in scientific operation.

Valuation is simply a stock-taking of resources and promises. A valuation exhibit is a balance sheet of such items. There are several methods of valuation, but a simple one, and the kind that is equitable and most used in fraternal operation, is as follows: On the one side are assets, actual and contingent. The actual assets consist of cash and investments—money which is available for paying claims; the contingent assets are the expected contributions of the members, figured according to the rates and expectancy of life of the members based on a reliable table of mortality. On the other side are the liabilities, actual and contingent. The actual liabilities consist of claims for benefits on deaths which have already occurred and all other monies due and unpaid; the contingent liabilities are the benefits promised to the members. The degree of solvency is the ratio of all such assets to all liabilities. This percentage tells whether the society, with its assets on hand and the expected contributions, will receive and will have enough money to pay death claims as they mature. If these items equal each other the ratio of actuarial solvency is 100 per cent. If it falls below 100 per cent., it is incumbent upon a society which intends to pay its claims in full to arrange

to collect more money from the members. There are several methods of valuation, but all of them are for the one purpose, viz., discovering whether the organization can pay its claims.

Valuation has been in use by old-line life insurance companies from the beginning. Their premium rates are based upon the expectancy of paying the promised insurance in full when the policies mature. This has given such companies a solid financial foundation. Since they issue fixed-price contracts upon which the rates cannot be increased, it is necessary that the officers and policy-holders and State insurance departments shall be assured that their accumulations are sufficient to meet the terms of the contracts. With valuation, the companies are enabled to show whether they can meet such obligations. Without valuation, nobody could learn this vital fact, and the companies could charge any premium rate, large or small; they could pursue a straight course towards bankruptcy; and nobody would be the wiser until the crash came. Without valuation, the companies could pursue a course of virtual swindling without the consciousness of guilt.

| The sentiment for valuation of fraternal benefit societies came as a result of the failure of several early societies to live up to their promises. Although their contracts were not actual promises of a fixed benefit, but agreements among the members for mutual relief, the members made the mistake of considering their certificates in the same light as policy contracts of the insurance companies. The trouble with the early fraternal certificates was that they were on a current cost basis; they accumulated no reserve; and when rising mortality demanded increased contributions the members were un-

able to pay them. This caused a demand for level rates. The essential basis of level rates is the accumulation of a reserve. Thereupon many of the societies began to lay aside reserves, but far-seeing leaders questioned the adequacy of such accumulations. Their purpose was to prevent a recurrence, through insufficient reserves, of the disappointments which had resulted because of no reserves. Therefore, valuation was the only method available by which the officers and members could be informed as to the adequacy of contributions and reserves to maintain a level rate.

The great campaign of education which began immediately after the adoption of the National Fraternal Congress Table of Mortality in 1899 was to impress upon the members of fraternal societies the necessity of paying adequate rates. This campaign had to be extended to the members because the societies are governed by the certificate holders and upon the memberships rested the burden of making final decisions. The arguments were fortified by valuation. The result was that a misconception of the purposes of valuation was spread throughout the country, assisted by the insurgents and obstructionists who hoped to ride into office on the resentment of those who opposed an increase in rates. The chief misconception was that valuation was an agency to force increases of rates. It was immensely unpopular because it exposed truths which many of the members did not care to accept. The fact is that valuation could only show the real condition of a society; it could expose the weakness of inadequate rates; it could warn, but its powers to force increases of rates rested solely upon whether the membership had enough sense to correct the weaknesses exposed.

Valuation in the Mobile Bill.—A new departure in legislation regulating fraternal benefit societies was introduced in the Mobile Bill which was approved in 1910. Its purpose was to require the societies on an actuarially insolvent basis to increase their reserve accumulations through a designated period of years until they became fully 100 per cent. solvent. The ideal of the promoters of the Mobile Bill was to make the fraternal system as safe and sound as the old-line insurance institution. In order to designate which societies needed increases in their accumulations, and the amount of such increases necessary, the principle of valuation had to be adopted. Valuation was the authorized basis upon which the increases were to be made, as well as a means of publicity to inform the members of the real condition of their societies.

The three chief features of the Mobile Bill, therefore, were valuation, publicity of valuation exhibits, and provisions to insure future security. The Bill did not require established societies to adopt N. F. C. or any other rates, as has been erroneously supposed by many, but it made it obligatory upon a society to correct any unsafe condition which valuation might disclose. The result of making such corrections, however, usually caused the adoption of N. F. C. or some other safe table of contribution rates. The features of valuation and publicity were retained when the Mobile Bill was superseded by the New York Conference Bill, but the provisions to insure future security were amended. This amendment will be explained in our discussion of Section 23a.

Valuation in the New York Conference Bill.—In addition to the annual report, each society shall annually report to the superintendent a valuation of its certificates

in force on December 31st, last preceding (Section 23). It must be filed within ninety days after the submission of the annual report, which means before June 1st of each year. The first valuation required was made as of December 31, 1912.

In a survey of a technical provision of the law the text must be followed closely in order to prevent misunderstanding. Therefore, the reader is referred to Section 23, and is requested to keep the text before him while reading this explanation. The reader should also keep in mind the purposes and principles of valuation as outlined in preceding paragraphs.

Of course the valuation shall contain a statement of the actual assets and actual liabilities. The law then specifies that the contingent assets shall be the present mid-year value of the future net contributions. These are based on the rates provided in the constitution and laws and which are actually to be collected. The contingent liabilities shall be the present mid-year value of promised benefits—all of the protection to be paid under the certificates in force and subject to valuation. The percentage of solvency is determined by the ratio of actual and contingent assets to actual and contingent liabilities. This is called the prospective method of valuation.

At the option of the society another method may be employed in lieu of the above. This valuation shall show the net value of the certificates, and said net value, when computed in case of monthly contributions, may be the mean of the terminal values for the end of the preceding and of the current insurance years. This gives the value at the middle of the year. The net value equals the required reserve for the year in which the valuation is

made. Therefore, the present accumulated reserve is set off against the net value of the certificates in order to determine the solvency of the society. This is called net valuation.

The New York Conference Law says further that the valuation shall be certified by a competent accountant or actuary. The legal minimum standard of valuation for all certificates, except for disability benefits, shall be the N. F. C. Table of Mortality, or, at the option of the society, any higher table; or, at its option, it may use a table based upon the society's own experience if it covers at least twenty years and not less than one hundred thousand lives, and the interest assumption shall be not less than four per cent. per annum. Further provisions, as noted in the law, are made for the valuation of disability benefits.

The Law is careful to state that such a valuation shall not be considered or regarded as a test of the financial solvency of the society, but each society shall be held to be legally solvent so long as the funds in its possession are equal to or in excess of its matured liabilities. This is the distinction between commercial and actuarial solvency. So long as a society's funds are sufficient to pay current claims it is deemed to be legally solvent. As stated before, valuation is for the purpose of showing how the society will fare in the future under the schedule of rates used in the valuation. Certainly it must show present solvency, or take immediate action to collect extra assessments to wipe out the deficit.

Publicity for Valuation Reports.—One of the provisions of the original Mobile Bill was a requirement that the annual valuation reports should be made public for the enlightenment and education of the society mem-

bers. This was retained unchanged in the New York Conference Bill (Section 23). Beginning with the year 1914 the valuation report and an explanation of the facts concerning the condition of the society thereby disclosed are required to be printed and mailed to each beneficiary member not later than June 1st. Or the same may be printed in the society's official paper and a copy mailed to each member.

Extra Collections to Meet Deficiency.—Section 23 contains a provision which requires the society to carry a law providing that if the stated periodical contributions of the members are insufficient to pay all matured death and disability claims in full, and to provide for the creation and maintenance of the funds required by its laws, additional, increased or extra rates of contribution shall be collected from the members to meet such deficiency. This means that if a society has adopted a plan which requires it to create and maintain a reserve fund according to a table of mortality, as well as other funds, and if the payment of all death and disability claims in full requires so much money that the appropriations to the various funds are insufficient to maintain them, the society shall therefore call upon the members for greater contributions. These shall be in the form of extra or increased assessments. This provision operates to keep the reserves intact when an epidemic or some other cause increases the current death claims.

Liens to Meet Deficiency.—A society's laws may provide that, upon the written application or consent of the member, his certificate may be charged with its proportion of any deficiency disclosed by valuation, with interest not exceeding five per cent. per annum (Section 23). Thus a society may enact a law which will give a

member the right to carry his deficiency as a lien against the certificate rather than pay extra or increased contributions to insure solvency.

Provisions to Insure Future Security.—With valuation as a foundation to show the condition of a society, the New York Conference Law provides further that certain requirements shall be met (Section 23a). These are determined by the valuation showings of certain years. Starting with the premise that the valuation of December 31, 1917, shows a society to be less than 100 per cent. solvent, the Law requires that each succeeding triennial valuation shall show a condition as good; the society shall maintain such condition—there need be no increase in the degree of deficiency.

This provision was more drastic in the original Mobile Bill; the society was required to make an increase of five per cent. in its condition at each succeeding triennial valuation. This change was one of the most important amendments agreed upon at the New York Conference when the Mobile Bill was superseded.

The principle upon which this requirement is based is that as long as the degree of solvency of a society suffers no decrease, it will never fail. It is probable that the test was fixed at three-year intervals in order that temporary fluctuations could not be used to the prejudice of a society. Thus, the influenza epidemic of 1918 made a temporary change in the degree of solvency of some societies. They had an opportunity by the end of 1920 to repair the condition.

The provisions of Section 23a do not apply to any society with valuation solvency of 100 per cent. or over.

If the valuation condition of December 31, 1917, of any society is not maintained at the end of the year 1920,

or 1923, or at any succeeding triennial valuation, the superintendent of insurance shall direct that it thereafter comply with the requirements specified in the Act. This appears to make it the duty of the superintendent to issue a warning, or notice. Then, if the next succeeding triennial valuation after the receipt of such notice shall show that the society has failed to maintain the condition required, the superintendent may, in the absence of good cause shown for such failure, institute proceedings for the dissolution of such society, in accordance with the provision of Section 24 of the Act, or in the case of a foreign society, its license may be cancelled in the manner provided in the Act. Proceedings for dissolution, in such case, are directed by the attorney-general of the State according to prescribed regulations.

Section 23a requires also that if a society fails to maintain its solvency as prescribed, and shall not make the required improvement within two years after a triennial valuation, it shall charge N. F. C. rates for new members, or higher rates. The earliest date that this provision can apply is January 1, 1923. Such new members and the funds to their credit shall be segregated. The Law on this point deserves careful reading, and is as follows: "Any such society, shown by any triennial valuation, subsequent to December 31, 1917, not to have maintained the condition herein required, shall, within two years thereafter, make such improvement as to show a percentage of deficiency not greater than as of December 31, 1917, or thereafter, as to all new members admitted, be subject, so far as stated rates of contributions are concerned, to the provisions of Section 12 of this Act, applicable in the organization of new societies (requiring N. F. C. or higher rates); provided that the net mortuary

or beneficiary contributions and funds of such new members shall be kept separate and apart from the other funds of the society. If such required improvement is not shown by the succeeding triennial valuation, then the said new members may be placed in a separate class and their certificates valued as an independent society in respect of contributions and funds."

Section 23b.—At the time the Mobile Bill was amended, a new section was added at the request of several societies which were not satisfied with the bill as it stood. This is Section 23b, which sets up a method of valuation and provisions for improvement which societies may follow in lieu of Sections 23 and 23a. It establishes valuation on the "accumulation basis," which takes into consideration any credit old members may have as a result of the actual experience of the society. The important feature of this section, however, is classification of members and segregation of funds according to the rates they may be paying.

A society accepting the provisions of Section 23b in its laws, and valuing the certificates of its members on the accumulation basis, thereby starts such members with their existing credits on an equitable basis of mutual participation in gains or losses of the future. If there is a deficit, instead of a credit, at this time, such deficit shall not be charged against the member, except as specifically provided in the society's laws. After such first valuation, if any member's share of losses for any year exceeds his credit and his contributions for the year, he can be required to pay increased or extra assessments. The effect of this is to require the members to pay the actual current cost of their protection, which, by the law of mortality, is certain to increase as the members grow older and die in greater numbers.

This is a practical provision for winding up the business of the members who have been paying inadequate rates and have accumulated insufficient or no reserves to their credit. It requires them to make good the inadequacy of their rates of former years. It operates the same as for a society which might stop taking in new members and expects existing members to meet the cost of insurance as the claims mature. The only difference is that Section 23b permits the society to continue operation by admitting its new members into a separate class and segregating the funds. These funds shall exist separately as though they belong to separate societies. Thus the use of classification is established.

The law permits such old members to rerate or transfer to any plan adopted by the society with net rates on which tabular reserves are maintained, and they may apply their credits. But they must maintain a full reserve on such rerated certificates, an adequate reserve computed on a recognized mortality table. Such reserves are maintained by adequate rates, and they shall be valued on the "tabular basis." But if a deficiency is shown in the reserve of the certificate under the first valuation, then it shall be valued on the accumulation basis.

As a measure of relief to old members, the society may provide, when the total mortuary collections do not equal the claims and the amounts to be set aside in the reserves, that the deficit may be met by increased contributions or by an increase in the number of assessments applied to the society as a whole, instead of to classes of members. Determination of which course to pursue is left to the society in framing its laws.

Not only are adequate-rate and inadequate-rate classes permitted to be separated by the society's laws,

but Section 23b allows the society to segregate the assets representing the reserves of any separate class of members. Assets for such a class may be carried as if in an independent society, and the required reserve accumulation of such class so set apart shall not thereafter be mingled with the assets of other classes of the society.

Section 23b has been the subject of much discussion. Those who criticise it claim that it gives a society the power to crowd out the members, those "who have borne the heat and burden of the day." They claim that the old members built the society and, therefore, should receive more charitable consideration. The argument on the other side is that the old members, while paying inadequate rates, have received their protection on a current cost basis and have no reserves to their credit. If they are to receive level-premium insurance, then they have obtained it for less than cost. The new members will have to pay the deficiency. If the inadequate-rate continues, the new members will pay the deficit on the current cost of the old members, and they will soon be obliged to pay higher rates for their own protection. It would result in robbing the new members.

If new members are to be admitted on adequate rates, the society must guarantee that they will remain level. This requires the accumulation of the proper reserves. The new members should not be robbed of their reserves to pay the deficiencies of the old members. It is equitable and right that the old members should pay for their protection, even if it results in large increases of rates, or even of forcing them out. The integrity of the fraternal system cannot be destroyed by appropriating the reserves belonging to new members to meet the deficiencies of old members. Such a course would be the grossest kind of

inequity. The segregation of old members is right, the requirement that they pay the true cost of their protection is based on justice, and on this principle the fraternal system must stand or fall.

Examination of Societies.—One of the powers given to the superintendent of insurance by the New York Conference Bill is that of examining the business affairs of fraternal benefit societies. This is not intended to give the superintendent authority to pry unduly into a society's business, or of petty interferences in its operation. In giving honest and intelligent supervision it is necessary for the superintendent to avail himself of the right kind of information as to what is going on. Examination is, accordingly, a factor in supervision.

The superintendent of insurance, or any person he may appoint, shall have the power of visitation and examination into the affairs of any domestic society (Section 24). The examiner and his assistants shall have free access to all the books, papers and documents that relate to the business of the society, and may summon and examine under oath its officers, agents and employees. The expense of such examinations shall be paid by the society. The examination shall be made at least once in three years.

An examination of a society whose business is properly conducted is beneficial, for the reason that the State insurance department issues a report affirming that all is well. An examination is furthermore a protection to the public against dishonest and fraudulent organizations which may pose as fraternal societies. A report of examination is a certificate of good management and financial soundness. Once in a while a society requests a special examination, in which the insurance depart-

ments of several States join, in order to inform the public of the true state of its business.

Liquidation.—Section 24 prescribes the procedure to be followed in closing up the affairs of a society. Whenever an examination discloses that any domestic society has failed to comply with the Law, or is exceeding its powers, or is not carrying out its contracts in good faith, or is transacting business fraudulently, or its membership may become less than four hundred, or it shall desire to discontinue business, the superintendent of insurance shall present the facts relating thereto to the attorney general. If the attorney general shall deem that the circumstances warrant action, he may commence an action in *quo warranto* in a court of competent jurisdiction. The officers of the society shall be notified by the court of a hearing. If the facts appear that the business should be closed, the society shall be enjoined from carrying on any further business, and a receiver shall be appointed.

Several points relating to liquidation stand out clearly. The superintendent of insurance can only lay the facts before the attorney general; the latter makes the decision as to whether court action is necessary. The court shall take no action until the officers of the society have been notified and have been given a reasonable opportunity to show why such proceedings should not be commenced.

Power Limited to Attorney General.—The attorney general is the only person who can make application for injunction against, or proceedings for dissolution of, or the appointment of a receiver for any domestic society or branch thereof (Section 25.)

Examination of Foreign Societies.—The same regulations as for domestic societies apply for examination

of any foreign society transacting business in the State or applying for admission (Section 26). In lieu of such examination, the superintendent may accept the examination of the insurance department of the State, territory, district, province or country where such society is organized, and this is the usual course followed.

No Adverse Publications.—The superintendent shall make public no report, pending, during or after an examination of any society, until a copy shall have been served upon the society, and it has been afforded a reasonable opportunity to answer (Section 27).

Revocation of License.—For certain causes the superintendent of insurance may revoke the license of any society to transact business in the State, but not until the society has had an opportunity to show cause why it should not be revoked (Section 28). All decisions and findings of the superintendent made under the provisions of this section may be reviewed by proper proceedings in any court of competent jurisdiction, as provided in Section 16.

Exemption of Certain Societies.—The provisions of the New York Conference Law do not apply to societies which are not strictly benefit or insurance orders (Section 29). The exemption is extended to Masons, Odd Fellows and similar organizations, to societies which limit their membership to any one hazardous occupation, to similar societies which do not issue insurance certificates, to associations of local lodges of a society which provide death benefits not exceeding five hundred dollars to any one person, or disability benefits not exceeding three hundred dollars in any one year to any one person, or both, and to various other organizations of a religious, charitable or benevolent character, under certain rules and restrictions.

Societies paying benefits in case of death or disability resulting solely from accidents may come under the provisions of the Act.

Exempt from Taxation.—Fraternal benefit societies are exempt from all and every State, county, district, municipal and school tax, other than taxes on real estate and office equipment (Section 30).

Penalties.—Section 31 prescribes penalties for misdemeanors and perjuries under the Act.

CHAPTER X

FACTORS IN SUCCESSFUL OPERATION

In viewing the fraternal history of fifty years we must come to the conclusion that the chief result of the system's progress is a standardized plan of operation. Some writers believe that the greatest benefit which evolution has handed down to the societies is a solvent financial basis. They hold that the security of the future which has become the underlying factor in fraternal insurance is the greatest heritage and that all other elements are incidental to this. I agree with them in this particular to the extent that without the reserve basis for its certificates the fraternal system would face extinction in the near future. The tremendous struggle for adequate rates saved the societies. If readjustment had not come when it did, the fraternal system would today be marked for a speedy end. This is not vain prophecy. We have only to observe the failure and disappearance of a number of societies which were popular forty years ago and which postponed too long or failed to readjust their rate plans. Without readjustment this would have been the inevitable end of all. Others might have come forward to repeat the experiment, but without evidence of reform their certificates would have become so unpopular as to suffer universal rejection by the public. Certainly the system could not endure without solvent operation, but the reserve plan is simply one of the factors of successful operation of today. The fraternal system has evolved a code embodying sound practice resulting from experience and the principles are the foundation stones of successful operation.

The analysis of statutory regulations given in this volume describes the factors in operation which were deemed necessary to be imposed by the legislative power of the various States. They were stated in the text of the law, and they have been explained in relation to the reasons for their adoption, the various performances required of the societies in conforming to the law, and the effects which follow. Some of these are so ingrained in the timbers of the fraternal edifice that there must necessarily be some repetition in further discussions. Others are factors aside from statutory requirements, but nevertheless vital to success.

What we behold in fraternal operation today is a system of principles, rules and regulations, some required, others in use through custom and good sense, and which is the outcome of fraternal development. The societies have passed through their era of trial; they are on the threshold of a new age; they possess the wisdom and experience accumulated during two generations of fraternal endeavor. This wisdom and this experience comprises their code. False steps need not be taken again; some of their past mistakes are prevented by law from recurring; they have stepped from the sands of inadequacy to the solid rock of the reserve plan. Why should not the next fifty years become the prosperous or golden age of fraternalism?

Attaining Solvency—Readjustment.—In a few years a discussion of measures necessary to attain solvent operation will have become out of date. No longer will the problems of adequate rates and sufficient reserves arise to trouble leaders and members. The question of sound finances will have become one of the past because the societies either will have readjusted and attained per-

manence or have failed, and the laws of the States prevent the organization of another unsound society. But there are societies today going through the process of readjustment and, until they attain their goal, the principles at the foundation of the movement should be understood.

Readjustment is that experience through which a society must pass in overcoming an unsafe financial condition to reach actuarial soundness. This means that its condition must become such that its promises of benefits to be paid in the future will be realized. The condition is determined by actuarial calculation, and valuation discloses its degree of actuarial solvency. A society may have millions in its treasury today and be commercially solvent, yet its inevitable failure may be expected unless actuarial solvency is shown. This was the vital fact which so many members of societies in years past were loath to accept. Readjustment, therefore, is the process of attaining actuarial solvency.

The history of the fraternal system tells us that the early societies started on plans which provided for only temporary protection, that they endeavored to operate without reserves, hoping meanwhile that their experience would not result in increasing mortality with the advancing age of members, and that finally the inevitable occurred. They were forced to readjust their plans, and that meant that greater contributions were required. On account of the inherent nature of fraternal operation the members had to vote the increases. Sometimes they temporized, which resulted in delaying the evil day. Others attacked the problem with wisdom and resolution and came through safely. The chief fact about readjustment is that it must be thorough. The author likes

to compare this process to a tradition in Moslem writings. It is the idea of *Al Sirat*, which is generally pictured as the bridge to Paradise over the infernal fire. "It is narrower than a spider's thread and sharper than a sword; the good pass swiftly over it, but the wicked soon fall into Hell."

"New Blood" Theory.—The requisite to a perfect readjustment is the adoption and enforcement of plans which require each and every member to carry a reserve sufficient to pay the insurance at maturity. The ideal is to attain a level rate. Many of the members and some of the leaders of early times tried to beguile themselves with the theory of "new blood." They conceived the idea that by admitting large numbers of new members the death claims of old members would be paid out of the contributions of those who were taking their places in the ranks. A society needed a steady inflow of cash to pay claims to the beneficiaries of those dying, and the new members would supply it. This was the theory of "new blood." The societies which attempted to apply the theory discovered that the death claims came faster as the society grew older; therefore it was necessary to write a cumulative number of new members in each succeeding year. It was nothing more than the idea of the "endless chain." It forecast an overwhelming and disastrous end. The fact is that the larger the number of new members admitted on inadequate rates, the greater the deficiency. Such societies were simply piling up trouble for the future, and the greater production of new members foreshadowed a mightier deficiency. The theories of an "endless chain" and "new blood" were destined to follow the same course and arrive at the same end.

Methods of Readjustment.—The processes which fraternal benefit societies might adopt in attaining solvency are outlined in the New York Conference Bill. These have been adjudged equitable and correct through experience. One of the first discoveries of fraternalists was that new members on adequate rates were entitled to have their reserves segregated from those of members on inadequate rates. In some early readjustments it was popular to throw the burden of insufficiency upon new members, because old members had "borne the heat and burden of the day." But a more unjust and iniquitous scheme was never devised. It was, in reality, a plan to mulct new members to meet the deficits of those who had enjoyed protection at less than cost. But classes of old members have been assisted by applying the savings from mortality and the excess interest earnings of new classes to meet their mortality. In this way the new members furnished relief without endangering their reserves.

Valuation was employed as a correct process to determine the deficiency which old members had allowed to accumulate. In many cases it was found necessary to assess a prohibitive rate against old members if deficiencies were to be overcome and justice applied. Rather than force such members to withdraw and lose what credits they were entitled to, the deficiencies were met by putting liens on the certificates. The amount of the lien was deducted from the face of the certificate. In some cases the liens have been reduced or wiped out by requiring the old members to pay a moderate increase of rates, or by applying the savings from favorable mortality or excess interest earnings. The differences of status in certificates have led to establishing classes of members, and classification of members with segregation of funds is an important principle in readjustment.

Equity between the various classes of members demanded that no member be required to accept the burden of another's deficiency. A new member has a right to expect that if he joins a society and pays a level rate based on a recognized table of mortality he shall not be robbed of his reserves in the interest of old members.

The transfer privilege has been a feature of practically all readjustments. When new classes on adequate rates were established the old members were given the privilege of transferring, and they were credited with whatever reserve their old rates had accumulated, and required to pay a rate considered safe and sound. Or the old members could remain on their old rates and take the risk of having the number of assessments increased as the members began to die in greater numbers. The immutable law of mortality soon required the levying of extra assessments, and when these became exorbitant the class was usually wiped out by the lapsation of its members.

Importance of Classification.—Unless the new rates of a society are based on a recognized table of mortality, and old as well as new members required to pay them, with the new members at age of entry and the old ones at attained age, such rates are not adequate. Even when old members are rerated at attained ages, sometimes their physical condition is so poor that an unfavorable mortality experience follows, and their rates under such conditions could not in truth be called adequate. An adequate rate is one of which accumulates and maintains a sufficient reserve.

It is even more important, therefore, that members be classified and the assets segregated when there is disproportion in their status. If old members are required to pay new rates which are applied according to their age

of entry, or if such rates are adjusted on an appraisal of what the members can stand, or if such old members are permitted to continue on old rates, then it is certain that they will not pay the cost of their protection. Meanwhile if new members on sound rates are being admitted there is indeed a disparity between them. Classification is therefore necessary if all are to receive justice.

Let us look at the case of a new member. He enters a society and starts to pay an adequate rate from the beginning. His rate is based on a table of mortality and computed so as to lay aside a reserve which will keep it level for life. It should not be necessary for him to pay an increase at any time unless a bloody war or a wide-spread epidemic causes the society to lose many members. His rate is supposed to be just, equitable and sufficient, and so it is, unless a portion of his credit is used to meet some other person's deficiency. And this is what will happen if the funds to his credit are mingled with the funds of inadequate-rate members. He will be robbed. The guarantee of a level rate will become a mockery. It would be just as equitable for the officers of a savings bank to transfer a portion of the credit of one depositor to another.

An adequate rate, as it is understood in the parlance of life insurance, is sufficient to maintain the reserve of the member paying such a rate, but it is not adequate if an attempt is made to devote it not only to this purpose but to overcome somebody else's deficiency. This is the reason for classification. The purpose is to maintain each member's reserve credit intact. Classification promotes justice. It makes unnecessary the necessity of raising the adequate-rate member's rate in the future.

Whole Life Protection at Level Rates.—The fundamental idea supporting the transition of the fraternal system to a solvent basis was that its protection should be whole life insurance at level rates. This requires rates sufficiently large to accumulate proper reserves. Level rates are the popular ones. It is an innate characteristic of the average man that he likes to know what his protection is going to cost. The fraternal system gave the post-mortem basis and term insurance each a trial, and it discovered by such experience that level rates are best for its purposes.

A natural consequence of the adoption of level rates was the creation of reserves, and the reserve basis of their operation has given fraternal societies the right and opportunity to issue various forms of certificates adapted to the wants of the public.

Various Forms of Certificates.—While a level rate certificate with assessments payable until the member's death is at the foundation of fraternal insurance today, the societies have gone further and have issued others. These include the following:

Limited Payment Whole Life.—This certificate gives protection for the duration of life, but the rate payments are completed in a limited number of years. The period of contributing usually lasts ten, or fifteen, or twenty years. The advantage of carrying a certificate of this character is that the member may pay for it in his productive years. Sometimes a limited payment certificate includes old-age disability, income payments and other features incidental to its maturity.

Paid-Up at Age 65 or 70.—The certificates which become paid-up at ages 65 or 70 are limited payment and are based on identically the same principle as the 10, 15

or 20-year payment certificates. The only difference is that no matter at what age the member joins his payments of assessments cease when he reaches the designated age, either 65 or 70, and the rates are computed accordingly.

Term Protection.—Very little term protection is written by fraternal benefit societies and then only to an applicant who wants insurance for a short time only. The trouble with a straight term certificate is that the period of protection ends positively and finally on a given date. This drawback is overcome in convertible or renewable term protection. A convertible term certificate gives the member the privilege of converting it into permanent protection, and renewable term must be renewed at stated times. The rates for renewable term protection increase at each renewal.

Monthly Income.—Within recent years monthly income insurance has become popular and more certificates of this character are being written with each passing year. This is whole life protection with the benefits payable to the beneficiaries in instalments, usually covering periods of ten, fifteen or twenty years, and sometimes for the life of the beneficiary. It is a deplorable fact that many widows and orphans who are recipients of insurance benefits in lump sums lose much of the proceeds in unwise investments or extravagant living. Sometimes they fritter away such benefits and are left destitute and the purpose of their protection is destroyed. Monthly income insurance prevents this. One effect of selling such protection is that the applicant is more likely to take a larger certificate than he would otherwise. He is forced to see how small is a few thousand dollars when measured in terms of income, and he learns what adequate protection should be.

Step-Rate.—The renewable term plan has been improved in step-rate certificates. Step-rate refers to the method of paying premiums and means that the rate increases each year or at longer intervals. An attractive step-rate certificate is one which carries a small reserve in order to insure a level premium after age 60 or 65 or for the accumulation of withdrawal options. A good feature about step-rate protection is that it requires but small premiums during the younger years when the member is getting a start in life.

Old-Age Disability.—A number of the societies issue certificates which not only become paid-up at age 70 but they pay old-age disability benefits to the insured. These are comparable to a pension and are paid monthly, quarterly or annually, sometimes for ten years and sometimes for the remainder of life. The idea upon which such insurance is grounded is that the member's dependents are self-supporting by the time he reaches age 70 and he, in turn, becomes dependent. He has greater need of the benefits than have his beneficiaries.

Sickness and Accident Disability.—Some societies pay benefits only for sickness and accident disability and they are thriving institutions. Such protection is usually to recompense the member for loss of his earning power when sick or disabled. Other societies issue health and accident insurance certificates to their members for additional rate payments and a few provide limited disability benefits in their standard certificates at the regular rates.

Joint Life.—These are certificates issued on two lives, customarily to a husband and wife. When one dies the benefit is paid to the survivor and the protection terminates. The rate is considerably cheaper than it would be

for two certificates on their lives because the society is liable for only one benefit payment, but the risk of an early death is increased because there are two lives covered.

Juvenile.—The insurance of children by fraternal societies was taken up when the whole family protection movement resulted in the enactment of State laws giving them that privilege. More will be said on this subject in the discussion of whole family protection.

Maternity Benefits.—A benefit is paid by some societies to a member giving birth to a child.

Because of the fact that some societies began to issue different kinds of certificates after readjusting their plans of operation the question has been raised as to whether such societies are violating the fraternal principles of true protection and mutuality. Such criticism smacks of the old-time abhorrence of anything partaking of commercial insurance plans and old-line company methods. It is similar to the early opposition to the reserve plan.

Such critics would have the fraternal system confine itself to the writing of whole life protection with contributions continuing throughout life. They cannot deny, however, that a limited payment certificate, or one paid-up at age 65, gives just as complete protection as the other. There is no difference in the protection afforded by any of these; the difference is in the method of making contributions. They are based on the same principle—that of the reserve. And since the rate payments are on a different basis there must necessarily be a difference in the amount of the accumulations. One is just as potent for protection as the other.

Because the societies finally attained the reserve plan

for making certain the payment of benefits, they are certainly entitled to give their members the advantage of the various facilities for accumulating reserves. The simplest benefit under a level premium is in the ordinary whole life certificate; it permits the insured to pay part of the high natural premiums of old age in his younger years, thus distributing the contributions equally throughout his life. Next comes the 20-payment life, which gives protection for the whole of life, except that it favors to a greater extent the principle of paying the cost in younger years. And this principle is further advanced in 15-payment and 10-payment certificates. Then we have old-age pensions and benefits which are paid to beneficiaries as income—all of which are types of reserve protection.

Withdrawal Equities.—The theory supporting the plan of granting withdrawal equities is that the reserve accumulated to the credit of a member belongs in fact to him. One of the truths which fraternalists must face is that under the reserve plan a member pays more than the natural cost of his protection during the younger years, thus accumulating a fund to meet the excess of cost over the contributions in older years, and that if he desires to withdraw, he is, in equity, entitled to the reserve. He is not entitled to all of it, however, because his withdrawal constitutes an adverse selection against the society; history shows that those who lapse or withdraw are mainly healthy members who, otherwise, would have contributed many years longer. It is called adverse selection because the lapsing of healthy members increases the ratio of poor risks. Therefore the surrender value usually given a member withdrawing is less than the full reserve. This overcomes the effects of adverse selection.

Adverse selection is even more injurious to a society when it results from the withdrawing member taking extended insurance. Persons whose health is so poor that they do not expect to live longer than the period of the extended insurance they may obtain are tempted to take the surrender value in an extension of the protection without contributing any longer. The contributions which they would have paid in the extended period before their deaths are a direct loss to the society.

Another withdrawal equity is given in paid-up insurance. The reserve which has accumulated to the credit of the member is used in this instance to purchase a paid-up whole life certificate.

The taking of withdrawal equities, unless done rightly, is apt to be accompanied by more harm than good. Indiscriminate withdrawals are hurtful to the interests of beneficiaries. Real life insurance protection is taken in the first place to provide for the member's dependents and as long as such persons are dependent upon him the protection should be kept up. When there are dependents and the certificate stands between them and possible poverty its surrender constitutes virtual robbery. Fraternalists should discourage any general tendency to take withdrawal equities. The only cases in which the practice can be commended are when dependency has ceased to exist and the insured needs the cash, or when paid-up or extended insurance will satisfy the needs of the beneficiary.

Whole Family Protection.—The insuring of children and the establishment of juvenile departments by fraternal benefit societies have become features of their operation within recent years. Although the business is properly termed juvenile insurance, the movement in

fraternal circles has become known as whole family protection because it gives a society the privilege of insuring all the members of a family. Until the year 1917 the business of insuring children was a monopoly of the great industrial life insurance companies. They developed it and their profits from it were enormous. The inherent character of the business made it expensive. Industrial policies were rarely larger than an amount sufficient to pay funeral expenses. The collections were made weekly or monthly, averaging a few cents at a time. It was necessary for the collectors to call on scores of people each day in order to make the undertaking remunerative, and for this reason the industrial companies were forced to confine their operations to thickly populated districts. They insured about twelve million children, but there were millions of juveniles in small towns, villages and on farms which they could not reach. Moreover, their collectors were unable to go into a large number of city homes.

Insurance protection on the life of a child is just and right because the parents or guardian have an economic interest in the child as well as a sentimental one. In the event of the death of a child the parents are liable for the expenses of burial, and it is this expense which juvenile insurance covers. The benefits are limited in amount to a sum which will cover funeral expenses and are, in truth, funeral benefits. Contrary to the misconception held by a few, no children are murdered for the insurance; the law limits the size of the policy and the gain would not be an inducement for such depravity.

Fraternal societies have been prevented from writing juvenile insurance from the beginning, not because of any positive objection, but because the founders of fra-

ternal insurance failed to conceive that child protection should be a part of their service to humanity. Therefore several million children of fraternalists have gone without insurance and a million or more of the others were forced to take the policies of industrial companies. The collectors or debit men of the companies were propagandists against fraternal benefit societies. Fraternalists came to a realization that their children were being educated by these debit men to believe that fraternal insurance was not safe. To offset such propaganda it became necessary for fraternalists to obtain legislation which would permit them to insure their own children.

In 1907 the National Fraternal Congress instructed the Committee on Statistics to investigate child insurance. Abb Landis prepared a statement on the subject which was the basis of the report by Chairman D. P. Markey to the Congress session in 1908. The Committee suggested an amendment to the fraternal uniform bill which would permit the societies to write juvenile insurance with rates and benefits based on the Standard Industrial Table of Mortality. The report was accepted and placed on file.

In the years that followed an agitation for juvenile insurance continued and it became known as the whole family protection movement. At the convention of the National Fraternal Congress of America held in 1915 at Minneapolis a resolution endorsing whole family protection was introduced by George Dyre Eldridge. It passed by unanimous vote. The Committee on Statutory Legislation presented the matter to the National Convention of Insurance Commissioners, and in April, 1916, a committee of commissioners was appointed by the Convention for the purpose of investigating child insurance by

fraternal societies. The 1916 convention of the National Fraternal Congress at Cleveland reaffirmed its stand. On December 13, 1916, in New York City, an agreement was reached between the National Convention of Insurance Commissioners and the Committee on Statutory Legislation of the N. F. C. of A. on a model bill for uniform legislation.

Text of the uniform Whole Family Protection Bill in brief permits the insuring between ages two and eighteen of children of members, or those for whose support and maintenance a member is responsible. Societies may organize and operate branches for such children, but the juveniles shall have no voice in management. No infantile certificates shall be put in force until simultaneously at least five hundred are ready to be issued and upon which at least one assessment has been paid, nor can the society continue to issue such certificates if at any time the number of lives insured becomes less than five hundred. The benefits payable upon death of a child shall not exceed the following amounts at ages at next birthday: Two, \$34; three, \$40; four, \$48; five, \$58; six, \$140; seven, \$168; eight, \$200; nine, \$240; ten, \$300; eleven, \$380; twelve, \$460; thirteen to fifteen, \$520; sixteen to eighteen, \$600. The rates are based on the Standard Industrial Table of Mortality or the English Life Table Number Six for which twenty-five cents a month is considered sufficient. A splendid feature of the law is that assessments may be skipped or returns may be made from any surplus in excess of the reserve and other liabilities. The law includes the reserved right to assess extra contributions in case the reserve becomes impaired. It also requires that the funds of the juvenile department shall be segregated from the funds of other classes, al-

though the portion intended for expenses may be mingled and used with the expense funds of other classes. When a juvenile member reaches the minimum age for admission to the adult class the certificate may be surrendered for cancellation and exchanged for any other form of certificate issued by the society.

Immediately after the approval of the Whole Family Protection Bill the fraternalists started a campaign to have it enacted into law in the various States. They were successful during the legislative season of 1917 in several States and their efforts were continued in the years that followed. By the close of the legislative season of 1919 the bill had become a law in more than one-half the States of the Union. In a majority of these it was adopted by the legislatures exactly in the form as approved. In several others it was amended to permit the societies to write insurance on the lives of any and all children. In New York the measure enacted requires that juvenile members may be transferred only to an adult class on adequate rates organized before the society starts writing child insurance.

When fraternal societies organized juvenile departments the immediate effect was that the members were permitted to protect their children with insurance issued by the societies in which they put their faith. Thousands of young people were added to the ranks of the insured. Others were privileged to transfer their protection from the companies which fostered continual criticism of fraternalism and carry it in the society which insured the remainder of the family. But the greatest influence of whole family protection will be as a training school of fraternalists for the future. The juvenile departments are the kindergarten of fraternalism. The children who

become members will be taught fraternal precepts and ideals, and we may expect that they will become better fraternalists, exemplary citizens, loyal patriots and will excel as home-makers. The future will see them happy, contented and resourceful Americans.

Women Fraternalists.—Some of the largest societies in the fraternal system are managed by women. The memberships of a few are composed exclusively of women, but a majority of the women's societies admit men as benefit members. When the first societies were organized it was the intention of the founders to confine membership to men, but among the many changes in fraternalism since is the admission of women. Civilization has advanced and become more complex and with progress has come a broader sphere for women; their duties and responsibilities have increased, and it is only natural that their need of life insurance protection enlarged. The Degree of Honor, organized in 1873, was the first society admitting women and was an auxiliary of the Ancient Order of United Workmen. Practically all of the leading societies had auxiliaries for women, but most of the societies which have been founded in the past two decades admit women on the same basis as men.

The societies operated solely by women are among the most progressive in the field. Their business transactions are on a high standard, and the ability with which they are managed surpasses that of some of the orders exclusively for men. It is a significant fact that less than a score of the societies in the field today are limited to men. Many of the old organizations have amended their laws to take in women and they have discovered that the best fraternal workers are the wives and daughters. It

would be difficult to estimate the percentage of women in the combined membership of the fraternal system; it may equal that of the men and is growing. Moreover, the leaders of fraternalism can point to thousands of local lodges which, without the enthusiastic influence of women members, would be dormant.

The question of women as insurance risks is one which has been discussed with considerable heat. Among the commercial life insurance companies it has been difficult for women to obtain policies, except in small amounts, because of the close scrutiny given the purposes for which the policies were to be used, as well as a limitation of the classes of beneficiaries. The prejudice against insuring women probably came from the same source as the prejudice against the broadening of women's sphere in business and politics. In the early years of life insurance only men were accepted and at that time women were prevented by public opinion from educating themselves or engaging in gainful occupations. The only pursuit open to them was that of house servants. The real lady was supposed to be a simpering, helpless doll who never left the home unchaperoned, the type so carefully portrayed by Thackery. Under those conditions life insurance was unnecessary. Therefore the field for insuring women has developed with their emancipation and the greatest strides in this respect have been made by fraternal benefit societies. Their inclusion has been excellent for the system because they are persistent in paying premiums and their mortality experience has been favorable. Most societies report that the longevity of female risks is better than that of males.

Sphere of the Actuary.—Probably one of the greatest sources of trouble in the early experience of the fra-

ternal benefit system was that it started without actuarial advice and when such advice was first given, the societies disdained to follow it. The result was that the system began business with an inherent weakness; it had no scientific course to follow; its foundation was not builded strong enough to support the structure which rested upon it. The societies were prosperous in their early years, but it was an artificial prosperity caused by the flush of beginner's enthusiasm. They unwittingly ignored the law of mortality, but their ignorance could not save them from the penalty imposed by this law. They had a warning expressed in the decrease of funds when the inevitable increase of mortality came. They attempted to fend and parry by adopting halfway readjustments. Such a remedy is like half-hearted salvation or a confession with reservations. The law of mortality sweeps as clean as the breaking waves on the seashore where no half-way measures will stand against its thunderous surge and wash. It has been the universal experience of fraternal benefit societies that unscientific and inadequate-rate plans at the beginning will require a complete and thorough readjustment sooner or later. The alternative is failure and destruction.

This could have been prevented by actuarial calculation. By estimating the expected deaths upon a reliable table of mortality, with an allowance for interest earnings upon accumulated reserves, the proper rates for enduring protection could have been calculated. This is the business of an actuary. In his sphere he is master of a science absolute and unchangeable. The first societies ignored the actuary, but the newer organizations profited by the experience of their predecessors, and actuaries were called to the rescue. The actuary is a

friend of fraternal operation; he provides methods by which fraternal insurance becomes sound and enduring. Due to his counsel the system is proud that it has many societies on a basis of more than 100 per cent. actuarial solvency and the others are making regular approaches to complete security.

The laws upon which sound operation is based are not made by actuaries. They are made by God and are as inexorable as the hand of death. No human power can control mortality. Careful selection of risks can vary the mortality experience of groups, but nothing can change the result. Actuaries compile the experience of groups upon which records have been kept, and they interpret the relations of mortality, reserves and interest. Their science does not permit them to say that an insuring organization can have a permanent existence upon a table of rates that some person imagines is equitable, but from the actual experience of the organization they can determine closely the future results. The true actuary must be absolutely honest, both with himself and the organization engaging his services; he should not be wedded to theories, but should make known the results of his investigations even though they upset some of the results of former work. His probity, or his lack of it, will affect future generations. Life insurance certificates are promises to pay which mature in a more or less distant future, and the fidelity, assiduity and accuracy of the actuary's labors determine whether such promises will be met.

The science of actuaries needs no defense or justification because the law upon which it is based provides its own vindication. The author of this volume has heard actuaries damned because the teachings of actuarial

science dictated that fraternal practices of the past should be abandoned. He has heard fraternalists declare that the only trouble with the fraternal system was the actuaries. During the period of readjustment many of the recalcitrants blamed actuaries for fraternal troubles instead of the fact that societies had been operating on unsound plans. But no matter how vehement the condemnation or highly placed the person voicing such thoughts the actuaries have been fortified by their faith. Their calculations were accurate and they needed only time to justify the truth of their teachings. Time is the great destroyer of error, it purges the world of false doctrines, and while it takes patience to await Time's vindication, the principles of truth prevail in the end. How glorious it must be, not in a vengeful sense, but as sweet vindication, to have the truth of his calculations justified and proven to the world in an actuary's lifetime!

Some of the greatest men in the fraternal system have been the actuaries who have led the societies to honest operation. They have had to bear the brunt of attacks of demagogues who knew the teachings were correct and of ignorant persons who could not understand reason and thought only of the inroads on their pocket-books, but to their credit the actuaries stood steadfastly by their science. It would be interesting to know what an actuary, when alone with his meditations, has thought of the foolishness he has had to oppose and of the insincerity of some leaders who have pandered to popular prejudice against rate adjustments. However, the glory of the actuarial profession is that the principles of soundness and endurance are winning and the result will be a permanent fraternal insurance institution.

Reserved Right to Assess.—One of the most important principles of fraternal operation is that the members of societies are insurers as well as being the insured. This is a fundamental of mutuality. By reason of the co-operative character of a fraternal benefit society the members are under obligation to each other for the benefits promised. It is the true spirit of a mutual enterprise. No profit from the business accrues to any person; all share alike; and therefore all should be obligated alike. Since the proceeds to pay death claims in a mutual organization come from the members and since there is no other source the members are under a liability to meet deficiencies. This liability is accepted by the society in the reserved right to assess. It means that members can be assessed for extra contributions when such are necessary.

The reserved right to assess has been the object of criticism because the right has been used by various societies to collect extra or increased assessments from members who had paid rates so low that deficiencies in their reserves had resulted. It was criticism born of an unpopular touch on the pocketbook, rather than injustice or inequity. The reserved right to assess is based wholly on justice and equity and criticism can in no way detract from the honesty of its purpose.

Much of the criticism was voiced by agents of commercial life insurance companies in a propaganda against fraternal insurance. They argued that the reserved right to assess was an unsound doctrine because members would not pay extra assessments and would lapse their protection; their purpose was to extol by comparison the plan of old-line insurance which collects maximum premiums at a fixed rate which, on the participating plan,

returned part of the surplus as "dividends" to policyholders. It would be just as sensible to say participating insurance is unsound because policyholders will lapse their insurance when their "dividends" are not paid. Such surplus premiums were withheld wholly or in part by a number of companies following the influenza epidemic of the winter of 1918-1919. On the contrary most of the policyholders who failed to receive their dividends continued their insurance. On the contrary, too, the members of fraternal societies who paid extra or increased war and influenza assessments in 1917, 1918 and 1919 retained their protection. The experience of fraternal benefit societies during the war and the epidemic is a complete vindication of the right to assess.

The chief virtue of the reserved right to assess as it is used today is that it is an element of strength contributing to the safety of reserves. It is conceded by all students of life insurance that it is necessary to maintain reserves in order to have level premium rates. The reserve feature is a safety clause possessed by all organizations writing life insurance and accumulating such reserves, whether fraternal, old-line or association. Under ordinary conditions this measure of safety would be sufficient, but no person can tell what the future will bring. The passing of time is sometimes accompanied by epidemics and wars and experience of the past has shown that both of these increase the mortality of life insuring organizations. Mortality might become greater than that predicted by tables of mortality, and reserves are calculated on the predictions of such tables. Would not another safety clause be instrumental in maintaining the solvency of life insurance? If the contributions of the past had not been large enough to accumulate a fund

to withstand an unusual and unexpected epidemic, would common sense not demand that an extra contribution be levied in order to make the insurance safe? The soundness of the assessment clause was demonstrated in just these particulars as a result of the recent war and epidemic.

Fraternal benefit societies are fortunate that they can levy extra assessments. This feature in their plan of operation, called the safety clause, is indeed a measure to guarantee safety. Commercial insurance companies do not possess it; they must collect maximum premiums in order to play safe without it. It is a concomitant of real mutuality; no profit-taking company is permitted to use it. Fraternal societies may collect only the absolute cost of insurance, whether term, level premium, or any other kind they are selling, plus a reasonable cost of operation, and the members keep the "dividends" and other additions in their pockets. When an epidemic comes the societies may use the privilege which the safety clause confers upon them to collect the increased cost of mortality as long as is necessary, and in that way they regain their complete solvency. Let us glory in the reserved right to assess. It is a splendid feature which saves money for the members, yet it provides safety when there is need of an extra safeguard.

Representative Form of Government.—Every insurance organization operating under the law regulating fraternal benefit societies must have a representative form of government. This is the essence of mutuality. Fraternal insurance is the one protective institution for the people which is controlled by the people. Just as long as control remains in the possession of the members it will continue under the rule of mutuality; but the

moment control becomes vested in autocratic authority the institution becomes a game for profit. And mutuality, with control delegated to servants through representative government, is the factor which makes protection safe. And the officers should be servants of the members, not masters.

This very phase was at the bottom of the life insurance investigation of 1905 by the Armstrong Committee of New York, of which Charles E. Hughes was counsel. The investigation disclosed that the rottenness of life insurance companies was caused by the fact that the officers considered themselves masters and believed they could use the companies for their own purposes. The result was extravagance verging on criminality, exorbitant salaries and manipulation of funds. Following the inquiry many of the companies took an immunity bath by going through a process of mutualization, in which control was supposed to be transferred to policyholders; but these baths did not bring about representative government, because today the policyholders have nothing to say about the management of their companies.

Fraternal benefit societies under their representative form of government have almost reached the ideal in life insurance management. The members meet in local lodges to discuss legislation and candidates, and their representatives go at stated times to meet in supreme lodge, a body which makes laws and elects officers and is the final court of appeal in questions affecting the society. The officers manage the business of the society according to the expressed wish of the membership. Real mutuality as practised by the societies results in economical administration, fidelity and industry on the part of the officers, and control of their protection by the mem-

bers. Who can say that in the evolution of the fraternal system representative government has not been for the best? It was true that development was slow for some of the societies, but they persevered through difficulties, and the great outstanding fact about fraternal insurance is that over three billion dollars has been paid in relief to the dependents of deceased members at a cost far lower than that of any other philanthropic and humanitarian agency in the world.

Mergers and Reinsurances.—During the past decade the fraternal system has seen a definite movement for consolidation and reinsurance of benefit societies. These contracts have become so numerous that it is important for the student of fraternal insurance to inquire into the conditions which cause them and the effects of such mergers on the certificate holders. Opinion among the leaders is divided. Some hold that the protection on thousands of members has been conserved and saved by consolidation. Others believe the business to be an evil. It is probably the evils which have crept into the business of negotiating mergers which have given some deals a poor standing and if these were eliminated the subject would meet with the approbation of all.

The causes which move societies to accept a home for their members within another organization are based chiefly upon inability to make progress as an individual society. One cause is a needed readjustment of business plans and assessment rates. A society which has run the usual course until Old Mortality begins to call for extra funds to meet an increased death rate has sometimes found it impossible to persuade the members to vote for higher rates and the only alternatives are liquidation or reinsurance. Of these the most sensible

is to seek reinsurance in a sound organization and place the members upon readjusted certificates with credit for whatever reserves they may have accumulated. Many of the mergers negotiated in the past have been for this very reason and thousands of members would have been without protection if the other alternative had been chosen and liquidation had taken its course.

Then there are societies so small that the burden of maintaining the organization constitutes an overhead charge out of all proportion to the amount of insurance in force. True, all societies were small in their early years, but some remain small for various reasons and stagnation sets in. Merger with a going concern is the best solution of this difficulty.

The merging of societies with similar plans, equal rates and ideals based on the same principles is also advantageous for the organizations concerned and pleasant for the members. Some societies are successful because they are big. Others are unsuccessful because they are small. When success may be obtained by consolidation nothing should be placed in the way of its consummation. There is something inspiring and potent in the influence of a great society in which thousands take pride. The members work for its success and obtain pleasure in being identified with its progress. By all means when mergers will inspire greater loyalty and will extend the benefits of fraternal protection they should be encouraged.

The mergers which should be prohibited are those in which there is no common ground on which the members of the consolidating societies can meet in fraternal and social relations, where the burden of reinsurance would become a heavy load for adequate-rate members and where the negotiations are conducted in a spirit of

profiteering. In the first category is the joining together of orders which, on account of religious, racial or occupational characteristics, would prevent the promotion of fraternal spirit. In the second is the saddling of a bunch of poor risks upon the members of a society on sound rates. And the third concerns the commissions to be paid the brokers who arrange the deal. It has been argued that if the officers give their best years to developing a society they should be entitled to compensation for the value of the insurance which is transferred to the books of the reinsuring organization. This is a just claim insofar as an officer's continued services are concerned, but the right standard of thinking on the subject has decreed that officers do not own the members, and they should not be permitted to trade them as chattels. If an officer can be of further service to his members after their reinsurance it is perfectly proper for him to become identified with the merged organization at an adequate salary. But the practice of selling a membership and retiring with the spoils has no justification in ethics and right business conduct.

Reinsurance of fraternal benefit societies by old-line insurance companies should be opposed by all friends of the system for the reason that the members taken over by a company lose their fraternal and social benefits. Such deals are rank commercialism. While commercialism has certain merits and is proper in its place it should not be permitted to destroy fraternalism. When the old-line companies began to develop group insurance in 1912 it was charged that their intention was to re insure fraternal societies and the outcry from all over the country was so vigorous that the companies were forced to announce that they would not seek to absorb societies. If

the companies were permitted to extend group insurance to this field the fees and bribes which they could pay would be so attractive that they might undermine the whole system. True fraternalists should always be on their guard against group insurance because it holds possibilities for the destruction of fraternalism.

A method for conducting mergers of societies is outlined in the New York Conference Law. It has generally been observed. But there are so many points in correct mergers which were not covered in this law that committees representing the National Fraternal Congress of America and the National Convention of Insurance Commissioners in 1917 drafted and approved a model merger bill for presentation to the various State legislatures. So far it has made little progress, but insurance commissioners have attempted to supervise consolidations upon the principles which it emphasizes.

Cost of Management.—When the assertion is made that sound life insurance costs just as much in one kind of organization as in another it is but partially true. We have heard this statement many times in recent years in comparing fraternal protection on adequate rates with the insurance offered by old-line companies. Those who talk in this manner attempt to create the impression that by the adoption of adequate rates a fraternal society takes on the characteristics of a commercial company and that in the end there is but little difference. But they forget the social and fraternal features, the relief and visitation of the sick and the higher ideals of a fraternity. They also forget that the cost of managing a fraternal benefit society is many times less than the expense of conducting an insurance company.

The reports of societies and companies to State insur-

ance departments show the amounts paid for running their businesses and comparison of almost any of them will bear out the truth of the above statement. The cost of doing business by an old-line company is tremendous; compared to the same item in a fraternal society's report. This is but a showing of comparison, however. The expense item of a commercial life insurance company might be just and equitable; it might be the irreducible minimum upon which it can do business. If such is the case a fraternal society of approximately the same size is managed with the most stringent economy. The expense item of the society, however, might be the just standard. In that light the management of old-line companies is wasteful and extravagant.

The difference is explained in the methods of obtaining new business and administering the affairs of companies and societies. In the first place the salaries paid to executives of old-line companies are princely in comparison to the compensation of officers of the societies. The offices maintained by the companies are more elaborate, the habits of the executives are more extravagant, and various items creep into the expense accounts which are kept out by fraternal society officers. And the agencies require a greater outlay of cash. It is true that the old-line companies write a greater volume of business because they put more money into their agencies but the larger volume of business is not commensurate with the cost over that of the fraternal deputy system. Consequently the policyholders in their premiums pay for higher-priced methods. With expense of management greater in all of these particulars than it is in fraternal benefit societies, why should there not be a difference in the cost of protection? The author admits

that there is little difference in the net cost of insurance based on reliable tables of mortality, but there is a great difference in the cost of administering the various kinds of insurances. Every person buying protection should take these facts into consideration.

Why is this difference? Why should fraternal society officers work for less than do the executives of old-line companies? Why should the societies adopt virtually cheese-paring methods in conducting their affairs when the companies spare no expense? There is but one answer. It is control by the members. The policyholders of life insurance companies have no voice in management; the members of societies through representative government possess absolute control. The officers of old-line companies are answerable to nobody but themselves; the officers of fraternal societies must report to their members and stand for re-election at least once in four years. This subject appears at first to be merely a question of form, but it is in truth the determining factor for the difference in cost between old-line and fraternal insurances.

The Deputy System.—Even some fraternalists seem to think that the deputy system is a recent development in fraternal work. But it is not. Deputies have been employed for the purpose of organizing lodges and obtaining new members from the very beginning of the system's growth. There may have been changes in their methods, but the idea of growth through the efforts of deputies has been at the very foundation of fraternal progress. Dr. James M. Bunn was the first deputy for the Ancient Order of United Workman, receiving his commission in 1872, and he gave the Order an impetus when it hung on the brink between success and failure. By his efforts the Society began to grow.

There is a big difference between the methods of deputies in the early years and the field work of to-day. A. R. Talbot, Head Consul of the Modern Woodmen of America, has remarked that in the old days a deputy could enter a town, employ the brass band to parade up the main street following a banner announcing that a lodge would be established in the evening and the result would be the organization of a good-sized lodge. Prospective members would appear at the meeting of their own volition. To-day every member must be obtained by solicitation. This makes a deputy's work more difficult and more important. The prospect of to-day wants to know all about insurance plans and other features. He may have his choice of a number of societies and he wants the one which offers most. And in these days the public rarely subscribes to any enterprise without being solicited.

Therefore the deputy system is more complicated, more extensive and more necessary than it was in the early years of fraternalism. The field force is usually directed by the chief officer of a society, and his efforts and the labor of those under him are devoted to conserving and increasing the membership. Deputies of to-day know more about protection and are more efficient; they work more systematically and their compensation is better.

Future of the Fraternal System.—This great protective institution has history and experience behind it marked by wonderful accomplishment. It has developed a plan of operation that serves the public's interests best. It has the elements which inspire loyalty on the part of the members and devoted leadership by the officers. It has readjusted its business and financial plans to meet the demands of the future, and its permanence seems

to be a settled fact. With these advantages why should not the fraternal system become the greatest and biggest life insuring institution?

It is fascinating to review the accomplishments of the past. Fifty years of experience, of co-operating for the uplift of humanity, of correcting the mistakes incident to the start, have made men happier and the world richer. The three billion dollars of benefits have gone where they would do the most good. The money has been paid as real protection to the widows and orphans of persons who sustained life mainly by their labor. Such insurance was not carried for investment, nor did it swell accumulated fortunes. It was pure protection, purchased at a price as near cost as possible. Then there were the benefits from fraternal and social intercourse of millions of members, of relief given cheerfully in sickness and distress, and movements fostered by the societies and lodges to improve the public morals and health.

Thus the fraternal system starts upon its immediate future greatly strengthened by experience. Its protection has been standardized on an enduring basis. A large field of opportunity and usefulness has been opened by the adoption of whole family protection, which insures the children of members for funeral benefits and trains them to be good fraternalists. The system has taken advantage of statutory legislation which will place the societies on a par with the soundest financial institutions and will make their period of usefulness enduring and permanent just as long as there are human beings desiring to co-operate for mutual assistance. Fraternal insurance has reached the point in its development when no man or woman need hesitate about taking enough

protection in the various societies to cover all of his or her needs. The good solicitor for fraternal insurance has discovered that he is selling a sound benefaction, and he enters his field with increased confidence.

The future of the fraternal benefit system has never before been so bright. Although the accomplishments of the past fifty years have been truly remarkable, it is possible to conceive of even greater results in each decade to come. Let no fraternalist falter in the progressive march. Let not one lose faith in the glorious purposes of fraternalism. We should ever remember the words of Elizur Wright, the first insurance commissioner of Massachusetts, and whose influence in American actuarial science has been predominant since the beginning. Years ago he said: "The civilization of this continent has no institution of which it has a better right to be proud than protection insurance. It is the standing together, shoulder to shoulder, of hosts of manly men to defend each other's home from that enemy who shoots on the sly and in the dark. It is the realization of fraternity without the destruction of independence and individuality. It is charity without cant, which enriches the giver and does not humiliate the receiver." The fraternal system stands to-day as the greatest institution for writing protection insurance, and Elizur Wright's words are just as true in this age as they were when written.



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